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Asia's crisis
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Central banks
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Nazi gold and the Swiss banks

Decades after the second world war, the Swiss banks have finally reached a settlement with survivors of the holocaust. In Wednesday's newspaper FT reporters tell how moves to block the largest merger in European banking history, the threat of sanctions against every Swiss company and unprecedented intervention by the US state department led to the August deal.

Chernomyrdin says Russia needs extreme measures

Acting premier pleads with opponents on eve of second parliamentary ballot

By Our International Staff

Victor Chernomyrdin, Russia's acting prime minister, yesterday said the country's deepening economic crisis required "extraordinary measures" and warned his opponents not to "tie his hands" lest political infighting led to total economic collapse.

Mr Chernomyrdin made his plea on the eve of a second vote in the Russian parliament on his candidacy as prime minister as Yuri Luzhkov, the popular mayor of Moscow, emerged as a powerful rival for the job.

Mr Luzhkov has been quietly courting the Communists and Yabloko, the pro-reform opposition party, both of whom oppose Mr Chernomyrdin's candidature.

Over the weekend, some powerful regional governors also attacked Mr Chernomyrdin and joined Mr Luzhkov's camp.

Konstantin Titov, governor of Samara, a region in central Russia, and a former ally of Mr Chernomyrdin, called on the Kremlin to withdraw his candidacy. He said Mr Chernomyrdin's currency board based stabilisation plan was a "miracle cure or personal Utopia" with little application to Russia.

Mr Chernomyrdin said yesterday that political consolidation behind his stabilisation plan was urgently required, warning that otherwise conditions would be ripe for extremists to seize power. He compared Russia to a sinking ship whose crew should not waste time by arguing over who would be captain.

If the parliament rejects Mr Chernomyrdin today, Russian President Boris Yeltsin can force a third vote.

If the parliament rejects the Kremlin's candidate a third time, it faces dissolution.

Meanwhile, the European Union yesterday urged the west to take greater account of the plight of ordinary Russians in pushing Moscow to reform its economy and to prevent its financial problems dragging the rest of the world down with it.

Foreign ministers of the 15, meeting in Salzburg, expressed concern that shock therapy recipes to reform the Russian economy risked producing social unrest, political instability and in the end a backlash against the market economy.

They issued a statement calling on Russia "not to revert to a command economy, but to proceed along the path of structural reforms in order to establish a social market economy".

But most ministers called for more attention to be paid to Russia's social problems. "We don't want more Harvard [University] boys with their lap-top computers," said Wolfgang Schüssel, the Austrian foreign minister presiding over the meeting.

This softer line was to be expected from foreign ministers but is unlikely to prevail at a meeting of the Group of Seven in London on Saturday, called by Tony Blair, the UK prime minister.

Foreign ministers yesterday acknowledged that this joint meeting of foreign and finance ministry officials of G7 countries, as well as the International Monetary Fund, World Bank and European Commission, was the real forum in which to respond to the Russian crisis.

Reporting by Chrystia Freeland and John Thornhill in Moscow, David Buchan in Salzburg and John Ridding in Hong Kong

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Mardi Gras, then Lent, Page 20
Lex, Page 14
Dollar begins slide, Page 15

Airbus transport aircraft at the Farnborough International Airshow in southern England yesterday. Picture: AP

BAe-Dasa merger 'might be threat to Airbus plans'

By David Owen in Paris

A merger between British Aerospace and Daimler-Benz Aerospace of Germany could jeopardise plans to turn Airbus Industrie, the European civil aircraft consortium, into a single company, according to Jean-Claude Gayssot, the French transport minister.

Mr Gayssot will today deliver this warning to British and German ministers meeting at the Farnborough air show in England. He will also emphasise France's readiness to push ahead with the plans to change Airbus's status, provided the present balance of forces – which he terms the "tripod" – is not disturbed.

"It is clear that if tomorrow this tripod were called into question, the rules of the game would be modified," he said in an interview in his Paris office.

Asked directly whether this meant that a BAe/Daimler-Benz Aerospace (Dasa) merger would signal the end of the single-company project, he replied: "In any case, we look at the problem with a different eye." Airbus is a Groupement d'Intérêt Economique, which means it publishes no accounts and makes no profits or losses in its own right. Dasa and Aerospatiale of France each own 37.9 per cent, with BAe accounting for 20 per cent and Casa of Spain 4.2 per cent.

Mr Gayssot's comments come six weeks after it emerged that BAe and Dasa had been discussing a merger that would be the biggest move so far to restructure Europe's overcrowded defence industry.

They underline the extent to which France fears it could be sidelined in moves to restructure the most important areas of European commerce and industry in the run-up to a single European currency. It believes July's agreement by the Frankfurt and London stock markets to form a single European platform to trade equities demonstrated how this could happen.

In the defence sector, the biggest stumbling block to plans to create a pan-European aerospace and defence company capable of taking on the US giants on an equal footing has been state ownership of Aerospatiale, France's Airbus partner.

This appeared to have been partly removed in late July when the French government announced it was to merge Aerospatiale with the defence interests of Lagardère, the private sector defence and publishing group, retaining less than a majority holding in the combined entity.

It has not done enough to satisfy BAe. John Weston, the UK group's chairman last week told Le Monde, the French newspaper, BAe did not want the French state or Germany's Daimler-Benz to have a significant stake in the new company. "We want a completely diluted shareholder base, like BAe's today," he said.

Mr Gayssot was unsympathetic, saying: "If somebody wants to impose a dominant position on us, either because there was a merger between BAe and Dasa, or in the conception [of the restructuring] itself, if somebody says ... you must. ... have only a diluted shareholder base', that will not work."

Observer, Page 13

WORLD NEWS

Prodi signals start of bargaining rounds with Italy's far left

Italy's prime minister Romano Prodi has made clear he will not try to bolster his centre-left government this year by looking for new allies on the right. His comments have begun a bargaining process centring on the government's relations with the far-left Reconstructed Communist group on which Mr Prodi relies for his majority. **Page 3**

Shattuck urges Kosovo probe
John Shattuck, the US assistant secretary of state for human rights, who is visiting Kosovo, called on Yugoslav president Slobodan Milosevic to allow independent investigations into alleged atrocities by ethnic Albanians and Serbs. **Cautious EU approval for plan, Page 2**

Anwar supporters gather
Hundreds of Malaysians gathered at the home of sacked finance minister Anwar Ibrahim in a show of support following further allegations of criminal misconduct that could lead to his arrest.

Weekend violence hits N Ireland
A Northern Ireland policeman has serious head injuries after a weekend blast bomb attack. He was hurt by loyalists during violence in the centre of Portadown, Armagh, after police separated hundreds of rival loyalists and republicans. **Scepticism tempers meeting, Page 6**

Israeli strikes set to spread
Israel's public sector pay strike is set to widen today. This could shut Ben Gurion Airport, Tel Aviv Stock Exchange and state-owned banks, which have escaped the strike so far. **Page 4**

Tehran rules out Afghan fight
Iran's supreme leader Ayatollah Ali Khamenei ruled out military confrontation with the Taliban in Afghanistan. There has been tension between the two over 11 Iranian diplomats missing since Taliban fighters overran Mazar-i-Sharif a month ago. **Page 3**

Zimbabwe hosts Congo talks
Congolese president Laurent Kabila arrived in Zimbabwe for talks aimed at ending civil war and foreign intervention in his country. The summit will include Kabila's military allies as well as rebel leaders and Rwanda.

Schröder's poll lead narrows
Latest German opinion polls confirm the Social Democrats' narrowing lead over the Christian Democrats. Voting is in just under three weeks. **Page 2**

Labour loses Maltese poll
Maltese prime minister Alfred Sant resigned after his Labour party was defeated in elections by the Nationalist party. **Page 2**

Director of Seven Samurai dies
Japanese film director Akira Kurosawa, whose classics included *The Seven Samurai* and *Rashomon*, died aged 88. His films are widely credited with putting Japanese cinema on the international map. **Obituary, Page 11**

BUSINESS NEWS

Deutsche Börse vies with Liffe to lead European derivatives

The London International Financial Futures and Options Exchange hopes to form an alliance with the London Clearing House, which settles contracts traded on the City's derivatives and commodities markets. Separately, Deutsche Börse, Germany's stock exchange, said it hoped to expand its Eurex alliance in a bid to overtake Liffe as Europe's most important market for derivatives products. **Page 14; Comment, Page 16**

KPN, privatised Dutch telecoms operator, called its own future into question after the national industry regulator demanded cuts in its call charges. **Page 15; Court victory for FCC, Page 4; Vodafone quiet on merger talks, Page 21**

Lafarge, French building materials group, said it was planning several acquisitions in south-east Asia and a new cement plant in China. **Page 18**

AssiDomän shares jumped 3.6 per cent after the state-controlled Swedish paper and packaging group announced plans to spin off 27 per cent of its forest holdings to shareholders. **Page 20**

Danish Crown and Vestjyske Slagterierer, Denmark's two largest co-operative abattoirs, plan to merge to form the largest meat-processing business in Europe. **Page 21**

Nissan, Japanese carmaker, is spinning off its automatic transmission development and production divisions into a new company, as part of a global business reform programme. **Page 18**

Old Mutual, South African life assurance group, plans to increase its expansion into the UK by acquiring regional stockbrokers Albert E Sharp. **Page 15**

Salomon Smith Barney, US investment bank, hired four analysts from Dresdner Kleinwort Benson to strengthen its coverage of European and UK banking. **Page 20**

LucasVarity, Anglo-American automotive and aerospace group, confirmed it was examining a number of potential acquisitions in the US and Asia. **Page 16**

KPMG, the global professional services organisation, will today launch a $60m a year global advertising campaign. **Page 15**

Gold Fields of South Africa, the mining house that will disappear when it has disposed of its assets, agreed to sell two more of its mining interests to Anglo American for R320m ($49m) in cash.

Lex on Russia's crisis
Preconditions for a successful currency board do not exist
Page 14

China move raises currency risks for foreign companies

By James Kynge in Beijing and John Ridding in Hong Kong

China has virtually banned a common practice used by foreign companies to hedge against a devaluation of the renminbi, thereby raising the risks associated with inward investment.

An official circular delivered to Chinese banks last month – but released to foreign banks only over the past few days – makes clear that companies should no longer be allowed to borrow renminbi to pay off foreign currency loans before they mature.

Many foreign companies with renminbi revenues in China have sought to switch their loans from foreign into local currency to avoid a rise in debt service charges should the renminbi be devalued. Demand for such transfers in currency exposure has grown since early this year, and bankers said that many large foreign investors are still in the process of hedging.

The news emerged after Hong Kong announced measures to increase liquidity in its interbank money market on Saturday. They include an explicit commitment to convert Hong Kong dollars into US dollars at HK$7.75 to one US dollar, moving to HK$7.80 when the spot rate trades consistently above HK$7.75.

These are the latest moves by the Hong Kong authorities to counter speculation against the territory's currency. Further measures to tighten regulations in the stock and futures market are expected this week. China's leaders have pledged the renminbi will not be devalued but instability in the world's financial markets has raised concerns that Beijing could be forced to recant. The renminbi is not fully convertible and so is shielded from speculative attacks.

The circular, which was issued by the State Administration of Foreign Exchange (SAFE), instructed Chinese banks not to accept guarantees from foreign banks in support of a foreign company's application to borrow renminbi to redeem foreign currency loans, bankers said.

"We had two of our guarantees rejected by the Chinese banks," said one foreign banker in Beijing. "Only when we asked why this had happened did we receive a copy of the SAFE circular."

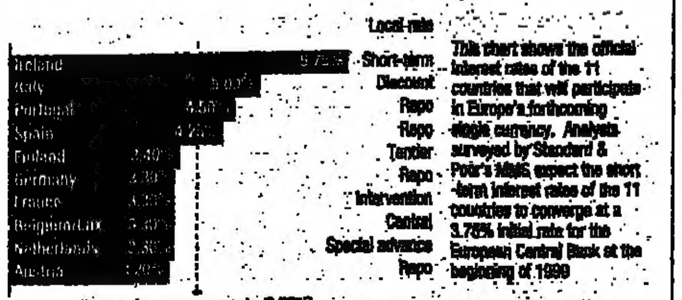
The measure seems to have been taken partly to ensure China's "big four" state banks have sufficient funds to support a government spending spree on some 2,000 infrastructure projects to reinvigorate the broader economy.

An official RMB900bn ceiling on domestic bank lending was raised last week to RMB1,000bn to allow the banks new latitude in lending.

Competition for available bank funds has been sharpened by the fact that the "big four" had to buy a RMB100bn government bond offer last week.

Action over speculation, Page 3

EURO INTEREST RATE CONVERGENCE



This chart shows the official interest rates of the 11 countries that will participate in Europe's forthcoming single currency. Analysts surveyed by Standard & Poor's MMS expect the short-term interest rates of the 11 countries to converge at a 3.75% initial rate for the European Central Bank at the beginning of 1999

Euro prices, Page 25

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

CONTENTS

WORLD NEWS

EUROPE

Cautious EU approval for Kosovo plan

By Guy Dinmore in Belgrade and David Buchan in Salzburg

The violence in Kosovo showed little sign of abating last week despite a US-mediated agreement between Yugoslav President Slobodan Milosevic and Ibrahim Rugova, political leader of the ethnic Albanian majority. The agreement would focus negotiations on an interim period of autonomy for the Serbian province.

European Union foreign ministers at a meeting at Salzburg yesterday gave cautious approval to President Milosevic's plan for an interim accord to be reviewed after three to five years. But because of the time-lag in EU procedures this was coupled with an agreement to cut air links with Belgrade.

Adem Demaqi, political representative of the militant Kosovo Liberation Army (KLA), which demands full independence, has rejected the US proposal. KLA militants have been dislodged from large areas of southern and central Kosovo since a government offensive began two months ago.

Serbian state television on Saturday night showed footage of more than 400 ethnic Albanian men who were among fleeing refugees seized last week on suspicion of belonging to the KLA.

The US Agency for International Development has pledged $23m in food aid for Kosovo, where more than 250,000 people have been displaced since the conflict erupted six months ago.

At Salzburg, Wolfgang Schüssel, Austria's foreign minister, who presided over the EU meeting, said he was "moderately optimistic about the idea of negotiating an interim agreement".

Klaus Kinkel, Germany's foreign minister, also expressed a "positive reaction" to Mr Milosevic's plan.

Mr Schüssel warned against "radical forces trying to torpedo" the idea. He said the EU expected Mr Milosevic's Serb forces to cease attacks on Kosovo Albanians, but also expressed concern about the KLA. "We want to strengthen moderate forces in the KLA and get radical elements to sing a different tune," he said.

Ministers also agreed on belated EU action to "deny JAT, the Yugoslav air carrier, landing rights in EU countries. The action was agreed in tandem with the US in June, but was held up by the objections of the UK and Greece. The UK argued that termination of its civil aviation agreement with Belgrade required a year's notice, while Greece has been politically sympathetic to Yugoslavia.

Both countries have now said they will allow an EU ban on JAT to go ahead, although London insists on 12 months to implement it.

Belgrade airport, completely closed to commercial traffic by UN sanctions during the Bosnian civil war, will still function despite the EU ban on JAT flights. JAT will continue flying to eastern Europe, Russia and possibly Switzerland. Some western diplomats in Belgrade are critical of the ban, saying it will have little impact on the government.

EBRD counts cost of Russia financial crisis

By Vincent Boland in London

The European Bank for Reconstruction and Development will this week unveil the impact of Russia's financial crisis on its operations there, which account for a quarter of the bank's total activities.

The EBRD is due to release its first-half results on Wednesday, and while these will cover only the six months to June 30, before Russia reached the brink of financial collapse in the past few weeks, officials will outline the effect of the crisis on its large portfolio of Russian investments.

The bank described as "factually incorrect and inaccurate" reports that it could be faced with at least $250m ($412m) in write-offs or provisions as a result of the crisis. It also rejected suggestions that government shareholders would have to inject new capital. The EBRD's authorised capital was doubled to Ecu20bn ($22bn) in April last year.

The bank said: "There will be a statement this week on our half-year performance which will include a reference to the impact of recent events in Russia on the EBRD's portfolio."

The EBRD regularly makes provisions against its investments in eastern Europe, but it is likely to have to set aside substantial extra provisions to take account of the huge falls in the value of Russian assets after the collapse of the rouble and share prices on the Moscow stock market.

According to its annual report covering the 1997 calendar year, 25 per cent of the EBRD's total financing commitments, amounting to Ecu2.6bn, was invested in the Russian Federation. Its total portfolio of investments throughout the transition economies of the former communist bloc amounted to Ecu10.3bn.

More is certain to have been invested during this year, and asset valuations throughout eastern Europe have fallen sharply in the wake of the Russian turmoil. But the percentage of the bank's business done in Russia is not thought to be much greater than at the end of last year.

The EBRD has come under pressure from its government shareholders in recent years to concentrate more on investing and promoting free market reforms in Russia and the former Soviet Union than on more stabilised countries in central Europe.

That change of emphasis is likely to be reflected in the EBRD's portfolio of investments and its return on them. The bank's interests include a large exposure to the Russian banking sector, which has been badly damaged by the country's financial problems.

Siberia's disgruntled miners set out again on radical path

Their strike helped topple the old communist system. Now they have begun new protests. **Charles Clover** hears their grievances

By June 1989, workers in the Siberian coalmining region of Kuzbass had completely run out of soap, remembers Victor Bunin, one of several thousand miners who went on strike as a result.

That strike spread to other regions of the Soviet Union and has been recorded by historians as the death blow to Communism and the launching pad for the political career of Boris Yeltsin, Russia's president. But rather than being proud of his participation, Mr Bunin is ambivalent about it: "It wasn't a mistake," he insisted. "On the other hand, if we had known what would happen we might have thought twice about it. The 1989 protest was to correct one or two things, not to bring down the whole system."

Mr Bunin is now chairman of the coalminers' union in Kuzbass and can barely conceal his disgust with the current political regime, which he and his fellow miners were instrumental in bringing to power.

He now represents miners who on average are owed five months' worth of wages. "Back in 1989 we had money, but no goods to buy. We have simply exchanged that system for one in which we have plenty of goods in the stores but no money," he said.

Eduard Mukhitov, who works at a coal mine near the town of Anjero-Sudjensk, is owed five months' worth of wages. Sitting in his one-room apartment, he and his wife, Olga, who is eight months pregnant, go over the passbook where his wages are recorded.

"Olga! Do you remember when I got my December wages?" he shouts into the kitchen.

"In May," she replies.

"You need Rbs500 ($45) a month to support a family of three," says Mr Mukhitov pensively. "In July they gave us 20 per cent of our April wages. That means I got Rbs200. That is not enough for us to have meat."

In May and July this year, local miners protested against wage delays by blocking the Trans-Siberian railway, effectively severing Russia's east from its west. Another protest is planned for next month.

Alexander Lavrov, deputy governor of Kuzbass for economic affairs, says the regional administration suspects enterprise directors of embezzlement, and has launched 120 criminal investigations into the dealings of local enterprises. He concedes, however, that it has not managed to convict anyone.

Other experts say that the problem of payments arrears is an economic rather than a legal issue. Without banks to lend working capital, enterprises have to "borrow" it from their suppliers and their workers.

Because coal is at the beginning of the production chain, it is the most vulnerable to this lack of credit.

"The turnover time for a cargo of coal to be made into metal, and the metal sold for cash, is 100 to 120 days. Without credit, this is how long we must wait to get paid," said Mr Bunin.

Whatever the reason for the wage arrears, Kuzbass workers and miners believe that once again the system must change, and they are ready to change it. Yuri Beregovo, head of trade union committee for the nearby Kuznetsky steel plant, which also suffers from wage delay, said: "We have passed the point of no return. We have reached the bottom, and the only way out is to take radical measures."

Opinion polls put SPD ahead but give few clues to coalition

German elections

By Peter Norman in Bonn

Opinion polls in Germany's general election campaign

Answering the question: "How would you vote if the election were held next Sunday?" Polls published in the week ending September 5

%	FGW	Emnid	Infratest/Dimap	Forsa	Allensbach
CDU/CSU	38	37	37	37	35.5
SPD	41	42	43	42	41.1
Green	6	6	7	6	7
FDP	5	5	5	5	6.1
PDS	4	5	4	4	4.9
Far Right*	-	4	3	4	2.4
Other**	6†	1	1	2	n.a.

* Mainly Republicans, German Peoples' Union (DVU), German National Party (NPD)
** A further 24 parties will field candidates for the Bundestag. † Includes far right

With just under three weeks of campaigning to the German general election, the opinion poll lead of Gerhard Schröder, the Social Democratic challenger, appears to be stabilising.

The latest opinion polls confirmed a narrowing of the SPD's lead over the Christian Democratic Union of Helmut Kohl, the chancellor, and the Christian Social Union, its Bavarian sister party, in recent months. But they showed no clear trend in the week to September 5, suggesting the CDU/CSU is having problems building momentum despite furious campaigning by Mr Kohl.

With at least 41 per cent support against 36.4 per cent in the 1994 general election, the SPD appears destined to win the most seats in the Bundestag on September 27. CDU/CSU support is hovering around 37 per cent compared with 41.5 per cent four years ago.

But these findings from Germany's five leading polling companies give no clear indication of what coalition government might emerge after the election. This is because two of the three small parties currently in the Bundestag are too close to the 5 per cent threshold which normally determines which will be represented in the lower house of parliament.

Germany's 60.5m voters have two votes: one "direct mandate" to choose MPs for 328 constituencies and one for a list of candidates fielded by parties in each of the 16 federal states. A further 328 MPs are elected indirectly through the second vote, which also determines the strength of the parties in the Bundestag through proportional representation.

Of the three small parties, the environmental Greens are expected to re-enter the Bundestag and could be a coalition partner for the SPD. The Free Democrat party, which is campaigning to continue as the junior member of Chancellor Kohl's centre-right coalition, is teetering on the edge of exclusion. The former communist Party of Democratic Socialism (PDS) is a special case. It has seats in the Bundestag despite gaining only 4.4 per cent of list votes in the 1994 general election because it won three direct mandates in eastern Germany. If it can repeat this performance, it could deprive the SPD and Greens of a majority and force the SPD and CDU/CSU into a "grand coalition".

Not everyone believes the polls. Mr Kohl is a great sceptic, for example. The pollster's credibility was dented by failures in recent state elections.

They failed to forecast big SPD losses in Hamburg last September, did not anticipate Mr Schröder's big win in the March 1 Lower Saxony state election, and failed to spot the scale of support for the far right in April's state election in Saxony Anhalt that left a minority SPD government dependent on PDS support.

Critics argue that the polls lack transparency because they take raw survey data which is adjusted before being presented as a projection of voter intentions.

Each polling organisation has its own secret method of weighting its surveys. Most make adjustments for social factors, the likely incidence of tactical voting, long-term political affiliations and a tendency for some voters to lie, as when planning to support the far-right. The Allensbach institute uniquely and controversially weights its results using the "recall question", which finds out how voters voted in the previous election.

Dieter Roth, a senior researcher with the Mannheim-based Forschungsgruppe Wahlen (FGW), believes pollsters will face fewer problems in the Bundestag election because the national turnout is usually higher than in regional elections and there are fewer protest votes.

Only FGW publishes raw data as well as adjusted figures. Its latest poll for the ZDF television channel put support for the SPD at an unadjusted 43 per cent (after 47 per cent in August), with the CDU/CSU picking up to 37 per cent from 36 per cent. The Greens were unchanged at 7 per cent, the FDP gained one percentage point to 5 per cent while the PDS reached 4 per cent.

FGW's adjusted projection for September 27 has a narrower gap between the main parties. It is shown in the accompanying table, together with last week's other poll findings.

Prodi rejects search for new parliamentary allies

By James Blitz in Rome

Romano Prodi, Italy's prime minister, has made clear that he will not try to bolster his centre-left government this year by looking for new allies on the right.

Mr Prodi's comments have begun a process of bargaining centring on the government's relations with the Reconstructed Communists, a far-left group of 34 deputies on whom Mr Prodi relies for his parliamentary majority.

The main political issue for Italy this autumn is likely to be whether the communists will split in two.

If the communists do split, the government's fear is that enough of the party's deputies could move into opposition to deprive Mr Prodi of a majority in the chamber. This would trigger a full-scale government crisis weeks before the lira enters the single European currency.

In recent days, Mr Prodi has made clear that if this happens "the question of changing the majority does not exist and cannot exist".

This is a clear indication that his centre-left "Olive Tree" coalition would not enter into a strategic alliance with a small centre-right party, led by former President Francesco Cossiga, which is offering to come to the government's rescue.

Mr Prodi has always insisted that he would never lead a "Mark Two" parliamentary majority, one that could radically change the nature of the government elected in April 1996.

The chances of a communist split have grown over the past week because of growing antagonism between the party's two leaders – Fausto Bertinotti, general-secretary, and Armano Cossuta, president.

Mr Bertinotti – described by one leading politician as "Italy's equivalent to Arthur Scargill", the militant UK union leader – has come closer than ever to indicating in recent weeks that he wishes to withdraw the communists' support for the government once and for all.

Mr Cossuta, by contrast, believes the communists should go on supporting the administration. He takes the view that withdrawal of support for Mr Prodi could open the way for an election victory next year for the right-wing Forza Italia, whose leader, Silvio Berlusconi, believes that his support is rising again.

The issue of whether and how the communists split will come to a head later this year with the main vote on the government's 1999 budget. The vote is deemed a critical test of the government's viability.

"The arithmetic is still uncertain," said a member of the government last week. "But if Bertinotti were to take more than 13 or 14 of his 34 deputies with him and vote against the budget, then we could be in trouble."

Romano Prodi: relies on the communists for his majority Reuters

NEWS DIGEST

MALTESE GENERAL ELECTION

Pro-EU Nationalist party heading for poll victory

Alfred Sant, Malta's prime minister, resigned yesterday after the Nationalist party – which is pro-European Union – appeared to be heading towards a decisive victory over the ruling Labour party in elections at the weekend.

First indications showed the Nationalist party had won a 2 to 3 per cent swing since October 1996, when the country last went to the polls. This would give it a majority in the 65-member House of Representatives.

The Nationalists' Eddie Fenech Adami is strongly in favour of full EU membership for Malta. If he forms a new government, as expected, he is likely immediately to revive Malta's EU application filed in 1990 and put on ice two years ago by Mr Sant.

The main domestic problem is how to bridle a substantial budget deficit of more than 11 per cent of gross domestic product. **Godfrey Grima, Valletta**

HUNGARIAN POLITICS

Kovacs to head Socialists

Hungary's Socialist party elected former foreign minister Laszlo Kovacs as president at a party congress on Saturday. Mr Kovacs succeeds Gyula Horn, the former prime minister, who announced his resignation as party leader after the defeat of the Socialist-led coalition in May's general elections.

Mr Kovacs, who rose through the ranks of the foreign ministry with Mr Horn in the communist era, won considerable respect for his foreign policy in the last government, particularly on accession to the European Union and issues connected with Hungary's neighbours.

Mr Kovacs' appointment comes as polls indicate Hungary is increasingly becoming a two-party country. In the latest test of public opinion conducted last month, Fidesz, the centre-right party heading the current governing coalition, held a commanding 52 per cent support of committed voters (against only 28 per cent in the first round of May's elections), with the Socialists on 32 per cent, unchanged on May. **Kester Eddy, Budapest**

GERMAN CENTRAL BANK

New Bundesbank appointment

Jürgen Stark, the new vice-president of the Bundesbank, has taken over the international affairs department at the German central bank. Formerly state secretary in the finance ministry in charge of European and international affairs, Mr Stark was until recently Germany's main negotiator in the run-up to economic and monetary union. His appointment marks an attempt by the German government and the Bundesbank to retain a strong influence in Europe's new monetary regime.

If Germany's centre-right government wins the election on September 27, Mr Stark would be seen as frontrunner to take over the presidency of the Bundesbank after next year's scheduled retirement of Hans Tietmeyer, the current president.

Mr Stark's move to the Bundesbank has triggered a small reshuffle of responsibilities. Helmut Schieber, who previously held the external relations position, is from now on in charge of the credit, foreign reserves and financial market's section, a position previously held by Johann Wilhelm Gaddum, who retired as vice-president of the Bundesbank in the summer.

Hermann Remsperger, formerly chief economist of BHF Bank in Frankfurt, has taken over as the Bundesbank's head of economics and statistics. Mr Remsperger succeeds Otmar Issing, who is now chief economist of the European central bank. **Wolfgang Münchau, Frankfurt**

DAGESTAN BOMB

Yeltsin condemns blast

Russia's President Boris Yeltsin has branded a bomb blast that killed 16 and injured 83 in the North Caucasus republic of Dagestan as an act of terrorism aimed at tearing Russia apart.

The bomb exploded on Friday evening in the centre of Dagestan's capital city, Makhachkala, not far from the government building and the mayor's residence. Local people say the bomb was probably aimed at the city's mayor, the target of several previous assassination attempts. The interior ministry said the blast might be linked to its investigations of earlier attacks against the mayor and Dagestan's chief mufti, who was killed last month in a car bomb. **Carlotta Gall, Baku, Azerbaijan**

DELL COMPUTER

Expansion planned in Ireland

Dell Computer is to create 1,700 jobs in a I£90m ($128m) investment to expand its personal computer manufacturing plant in Limerick in the Irish Republic. The announcement coincided with President Bill Clinton's visit to the plant at the weekend. The US company already employs 3,400 people in Ireland and is one of the largest foreign-owned companies there.

Foreign direct investment accounts for 45 per cent of manufacturing output, 55 per cent of manufacturing employment and two thirds of manufactured exports, with Ireland accounting for a third of US investment in electronics outside the US. **John Murray Brown, Dublin**

LEGAL NOTICES

No: 004760 of 1998
In the High Court of Justice
Chancery Division Companies Court
In the Matter of MARTIN CURRIE SMALLER COMPANIES INVESTMENT TRUST plc and
In the Matter of the Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 21 August 1998 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the share premium account of the above-named Company amounting to £54,109,843.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 16th day of September 1998.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 4th day of September 1998.
LINKLATERS & PAINES (DTL)
One Silk Street, London EC2Y 8HQ
Solicitors for the above-named Company.

No 004316 of 1997
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF
CLM INSURANCE FUND PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 31 July 1998 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above-named Company by £30,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL, on Wednesday the 16th day of September 1998.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 4th day of September 1998
LINKLATERS & PAINES (DTL)
One Silk Street
London EC2Y 8HQ
Solicitors for the above-named Company

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HK TRIES TO PROTECT EXCHANGE RATE

Action over currency speculation

By John Ridding and Louise Lucas in Hong Kong

Hong Kong will today implement measures designed to bolster the territory's linked exchange rate mechanism, which has come under severe pressure from speculative assaults and regional financial turmoil.

The measures, announced at the weekend, aim to increase liquidity in the interbank money market and include an explicit commitment to all banks to convert Hong Kong dollars into US dollars at a rate of HK$7.75 to US$1. That is set to move to the peg rate of HK$7.80 when the spot rate for the US dollar trades consistently above HK$7.75.

The changes are the latest steps intended to counter speculation against the territory's currency. Further measures to tighten regulations in the stock and futures market are expected this week.

Joseph Yam, head of the Hong Kong Monetary Authority (HKMA), said the new measures demonstrated Hong Kong's commitment to its 15-year exchange rate mechanism.

"The package of technical measures will strengthen and purify our currency board and achieve a higher degree of transparency," said Mr Yam. Reforms to the interbank market would reduce interest rate volatility and make it much more expensive for speculators to manipulate the territory's money markets.

Under the changes, banks will be allowed to use holdings of Hong Kong Exchange Fund Bills, in effect government bonds, to acquire Hong Kong dollar funds. This increases available liquidity and reduces the risk of interest rates rising sharply when large amounts of Hong Kong dollars are sold, said Mr Yam. The convertibility of exchange fund bills also strengthens adherence to the currency board principle that all liabilities of the currency board should be transferable into US dollars.

Hong Kong's financial authorities have been seeking to curb what they describe as a "double play" in which speculators push up local interest rates by selling Hong Kong dollars and benefit from short positions on the stock market.

Although the new measures should make this more difficult, the administration said it reserved the right to continue its controversial practice of buying shares to counter the double play. A suspension of short-selling on some of the territory's shares, however, will be removed from today.

Hong Kong's bankers welcomed the money market moves. "They should have a stabilising effect," said Mervyn Davies, executive director for north-east Asia at Standard Chartered Bank.

But the plans included drawbacks and drew some criticism. Development of the territory's bond market is likely to be stunted by the requirements that new bond issues be backed by foreign exchange reserves and that only exchange fund bills will be accepted for conversion into US dollars.

The new measures also give the HKMA discretion in setting the base rate, a new discount rate for clearing transactions in the interbank market.

Mr Yam said this did not mean an increase in discretionary powers, since the HKMA set the discount rates already.

Christine Loh, leader of the Citizens's party, said the new measures failed to remove concerns about intervention in the currency board mechanism.

US-JAPAN TALKS TREASURY AND FED URGE PROMPT TOKYO ACTION ON ECONOMY AND BANKING REFORM

Summers drives the message home

By Christopher Parkes in San Francisco

The Japanese government should translate words into actions to revive its economy and reform its banking system, Lawrence Summers, deputy US Treasury secretary, said yesterday.

"What happens in Japan is profoundly important for the Japanese people, for Asia and for the global economy," he said in a television interview.

Mr Summer's remarks that restoring Japanese growth was "terribly, terribly important" for the global economy reinforced in public the messages exchanged last Friday in San Francisco between US and Japanese politicians and central bankers.

Kiichi Miyazawa, the Japanese finance minister, returned to Tokyo at the weekend with repeated exhortations for "urgent" progress on implementing banking reforms and tax changes to restore domestic economic growth.

He left behind US politicians and Federal Reserve officials struggling to find reasons to believe that the message had been understood and would be translated into action.

Although the US side acknowledged that proposed banking and tax reforms marked a change in policy, and Mr Miyazawa said he understood very well that "quantity, quality and speed" were important to the reform process, US officials were unsure about how committed Japan's new government was to pressing ahead.

Although much of a private dinner discussion was devoted to the condition of the global economy and the roles of the world's two leading economies, the Japanese side seemed yet to be convinced of how important resolution of its difficulties was to the rest of the world, according to US officials.

As the talks wound up there were still differences over the seriousness of Japan's deepening recession and debt-ridden banking system for Japan itself.

Mr Summers' comments yesterday followed persuasive words from Robert Rubin, Treasury secretary, who led the US delegation at Friday's meeting, and later from Alan Greenspan, Fed chairman, who joined the talks at dinner.

They underscored the frustration evident in the US delegation on Friday night, and seemed likely to sharpen the perception among some in the Japanese delegation that Japan was being given an unfair share of the blame for the events which have seen Asia's economic ills spread to the rest of the world.

However, Mr Rubin was at pains to flatter Japan's achievement, and tried to avert suggestions that the US was the sole source of pressure.

Japan came up with "everyone", he said, and had dominated talks earlier in the week with Latin American finance ministers.

Miyazawa (left) meets Rubin in a San Francisco hotel over the weekend Reuters

Tokyo banking row 'may force government to resign'

The growing political row over banking sector reform in Japan could force the government to resign at the end of the current parliamentary session on October 7, a senior politician in the ruling Liberal Democratic party has warned, Gillian Tett reports from Tokyo. Speaking over the weekend, Takeshi Noda, LDP secretary general, said: "There is more than a 50 per cent chance that the Obuchi cabinet will choose to resign or to dissolve the lower house for a snap election [at the end of the parliamentary session]."

The comment will fuel concern that Japan's mounting economic and banking problems are weakening the government of Keizo Obuchi, prime minister, and comes as markets are bracing themselves for more turbulence this week.

Greenspan warns on US prosperity

By Christopher Parkes

In his first extensive statements since the intensification of political and economic turmoil in Russia and growing signs of infection in Latin America, Alan Greenspan, chairman of the Federal Reserve, has warned that US prosperity is under threat.

"As dislocations abroad mount, feeding back into our financial markets, restraint is likely to intensify," he said.

"It is just not credible that the US can remain an oasis of prosperity unaffected by a world that is experiencing greatly increased stress," he told an audience at the University of California, Berkeley, on Friday.

The spreading international economic crisis had displaced the fear of inflation which had been the main preoccupation of US monetary policymakers until this summer.

While overseas developments had contributed to holding down prices in the US, they had also resulted in lower exports and reduced aggregate demand in the world's largest economy.

Mr Greenspan as usual offered no clues to his intentions. However, the Fed's sharpened focus on global risks rather than domestic inflation suggested the next shift in US interest rates might be down rather than up, although analysts said there appeared to be no need for urgent action to change the overnight bank lending rate, which has been set at 5.5 per cent since early 1997.

The Federal Open Market Committee, which steers US rates, is due to meet on September 29, shortly after a planned meeting in the US between President Bill Clinton and Keizo Obuchi, the Japanese prime minister.

Mr Greenspan's remarks gave added weight to calls from Robert Rubin, Treasury secretary, whose meeting in San Francisco on the same day with Kiichi Miyazawa, Japanese finance minister, was dominated by US calls for "urgent" and "concrete" action to revive growth and reform the banking system in Japan.

The Fed chairman's concerns about the impact on the US economy were underscored by Californian trade data which showed further sharp falls in US exports to Asia, and a marked slowing in shipments to Mexico.

California, which is the nation's largest exporter to these regions reported a decline in merchandise exports.

The total value of shipments in the second quarter fell almost 6 per cent, in a dip sharpened by an 18 per cent fall in sales to Japan, the state's biggest trade partner, even more dramatic drops in other Asian markets, and slowing sales to Mexico.

Although Mr Greenspan joined Mr Rubin and Mr Miyazawa later for dinner, monetary policy and foreign exchange rates did not come up at any point in the discussion, officials said.

Mr Greenspan's main contribution was to reinforce Mr Rubin's calls for firm and urgent action from Tokyo, according to US officials.

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Brazil bid to stem capital outflow

By Jonathan Wheatley in São Paulo

The Brazilian government has announced fresh measures to stem the flow of foreign capital from the country after the loss of $10bn in foreign reserves over the past 10 days.

The latest move in effect raises the central bank's basic lending rate from 19 per cent a year to 29.75 per cent with effect from tomorrow, when financial markets return to work after today's public holiday, until September 30.

It follows two sets of measures, including tax cuts, introduced over the past fortnight to encourage investors not to leave Brazilian fixed income investments. Foreign reserves fell to about $59bn at the end of last week from $69bn in the last week of August.

The central bank last week cut its base rate, the TBC, from 19.75 per cent to 19 per cent and increased its assistance rate, the Tban, from 25.75 per cent to 29.75 per cent.

It was seen as a signal that the current policy of gradually reducing rates would continue, but that rates could be increased if necessary to protect the currency.

The new measure cuts the TBC's liquidity to zero, forcing banks to borrow at the higher rate.

Francisco Lopes, director of monetary policy at the central bank, said the move would be reversed as soon as permitted by a return of foreign capital to Brazil, but interest rates could be increased again should the outflow continue.

Press reports said the government was preparing further measures to be announced this week aimed at cutting Brazil's fiscal deficit of about 7 per cent of gross domestic product. The deficit is one of the main causes of concern over Brazil's ability to withstand the world financial crisis.

WORLD BANK-IMF PROPOSALS NOT ENOUGH, SAY AID AGENCIES

Debt relief plan for poor countries

By Robert Chote, Economics Editor

Several of the world's poorest countries, most of them ravaged by war and civil strife, will be offered the chance of extra debt relief under proposals to be discussed by the boards of the World Bank and International Monetary Fund this week. But aid agencies believe the plans do not go far enough.

The Washington-based institutions are proposing to extend by two years the date at which countries can qualify for the joint debt relief initiative they launched in 1996, when it expires this month. Seven countries would probably be eligible to benefit: Burundi, the Democratic Republic of Congo, Liberia, Burma, Sao Tome and Principe, Somalia and Sudan.

Tentative estimates suggest that Liberia and Somalia may need $1bn in debt relief between them, while Sudan could require $4.5bn. Looking just at the countries for which reliable estimates are possible, extending the deadline would raise the cost of the initiative by about $2.4bn to $8.2bn in 1996 prices.

The institutions also propose to shorten slightly the record of good policy performance expected of post-conflict countries that wish to qualify for the debt relief initiative. Satisfactory performance under economic recovery and emergency programs supported by the Bank and Fund would be counted towards the six-year record required.

The proposals emerge from a confidential review of the first two years of the initiative, which is supposed to reduce the debt burdens of poor countries with good policies to "sustainable" levels. Debt relief of $2.95bn has already been agreed for six countries: Uganda has received assistance, and Burkina Faso, Bolivia, Guyana, Ivory Coast and Mozambique are in the pipeline.

But Oxfam International, the Washington-based development lobby group, argues that the initiative has failed to fulfil its potential, delivering too little help, too late. "The review paper is a whitewash and, if it is not radically changed, could seriously damage the credibility of creditor governments, the World bank and the IMF," it says.

Oxfam International argues that the initiative could be revitalised by creating a "human development window", under which countries are offered quicker and deeper debt relief to countries if they channel the proceeds directly in poverty relief. The Bank and Fund believe this approach is too simplistic.

No war with Taliban, Iran insists

By Mark Huband in Cairo

Iran's supreme leader yesterday denied Iran was planning a military confrontation with neighbouring Afghanistan's Taliban forces despite an Iranian troop build-up 60km from its border with Afghanistan.

Ayatollah Ali Khamenei, commander-in-chief of Iran's 500,000-strong army, was yesterday quoted in the English-language Tehran Times as saying: "There will be no confrontation with the Taliban." State-run Tehran Radio on Saturday asserted Iran's right to act against the Taliban, but later softened its stance.

Noorullah Zadran, Taliban spokesman at the UN, said yesterday a military clash with Iran could engulf Afghanistan's neighbours. "If the war is imposed upon us, I believe that it will have a domino effect, and I believe that that would turn the entire region into a fireball," Mr Zadran told the BBC.

"I would not be surprised if some of the most deadly weapons, which have never been used in that area, would be used, which would certainly involve the interests of the western world."

Iran has demanded an explanation for the disappearance of 11 Iranian diplomats and an Iranian journalist from the northern Afghan town of Mazar-i-Sharif. The town was seized by the Taliban, which controls 90 per cent of Afghanistan, from an opposition military alliance on August 8.

Mohamed Omar, Taliban leader, has been quoted as saying the diplomats were probably killed by "renegade" Taliban fighters.

After the diplomats' disappearance and the fall of Mazar-i-Sharif, Iran last week began three days of military manoeuvres involving 70,000 Republican Guards in eastern Iran. Television pictures from the border area east of the Iranian town of Torbat-e Jam showed heavily armed battalions engaged in military manoeuvres with air cover provided by jet fighters.

The manoeuvres are now complete, but a strong military presence has been retained in the area, said a visitor there who returned to Tehran yesterday. Opinion in Tehran is divided over how Iran should respond to the probable deaths of the 12 Iranians. Several Iranian newspapers devoted extensive coverage to the reports of widespread killings perpetrated by the Taliban following its capture of Mazar-i-Sharif.

"There is a strong feeling against becoming involved, and there are warnings to the government not to trap itself in Afghanistan," said a senior official in Tehran yesterday. "The mood isn't in favour of military action, judging by different statements in the media and the official propaganda."

On Saturday, the Washington Post reported that US intelligence had warned that Iran was preparing to send troops into Afghanistan and attack with aircraft. Diplomats in Tehran said yesterday military action was possible, but could be a limited strike rather than an invasion. "The Iranians would want to be certain of what happened to the diplomats before taking action," said one diplomat. "And they may not want to acknowledge their death before knowing what action they might take."

Iran has been a key political supporter, along with Russia and Uzbekistan, of the anti-Taliban military alliance, headquartered in Mazar-i-Sharif until the Taliban takeover in August. Pakistan's recognition of the Taliban as Afghanistan's government, and the presence of Pakistani military advisers in the Taliban-controlled capital, Kabul, have heightened the prospect of regional rivalry between neighbouring states.

Taliban soldiers display weapons they seized from Iranian soldiers near the Afghan border last month AP

Court victory for FCC against US Baby Bells

By Mark Suzman in Washington

The US Federal Communications Commission won a key legal victory at the weekend when an appeals court overturned a controversial ruling restricting its powers to oversee the deregulation of the $100bn local telecommunications market.

In a decision released after markets had closed on Friday, the Fifth Circuit Court of Appeals in New Orleans reversed a lower court judgment that key sections in the 1996 Telecommunications Act restricting the right of regional phone monopolies – the so-called "Baby Bells" – to offer long-distance services were unconstitutional.

The ruling provides a much-need boost for the FCC, which has suffered a string of court defeats relating to the 1996 act and has come under growing criticism from Congress for the slow progress of deregulation. William Kennard, FCC chairman, said the decision marked a victory for consumers: "This will mean more choice and lower rates for telephone service."

In terms of the 1996 act, the Bells are only permitted to offer long-distance services when the FCC is satisfied they have met a series of conditions that prove they have opened their domestic markets to competition. None of the companies has so far met the conditions.

In a suit that was later joined by other companies SBC Communications, the most litigious of the Baby Bells, had argued that the act unfairly singled out the Bells for punishment while allowing other smaller competitors into the lucrative long-distance market.

In a surprise move, Joe Kendall, a district judge in Texas, upheld SBC's argument, although he delayed implementation of his judgment until the appeal had been heard.

However, in a 2-to-1 decision, the appeals court ruled that the obscure constitutional argument the Baby Bells had used to support their argument did not apply in this case because the act did not permanently ban the companies from offering long-distance services.

The new ruling was welcomed by AT&T and MCI, the long-distance companies, both of which have long charged that the Baby Bells have been illegally using their monopoly power to stop competitors entering the local markets. However, SBC and the other companies are expected to appeal against the decision to the Supreme Court.

The Supreme Court is already expected to rule this year on a separate dispute between the FCC and the Bells on whether the agency can impose certain pricing conditions on the companies when they lease parts of their telephone network to competitors.

Israeli strike to spread today

By Avi Machlis in Jerusalem

The Histadrut, Israel's trade union federation, today plans to expand a big public sector strike to increase pressure on Israel's finance ministry in negotiations over wage agreements for next year.

Amir Peretz, Histadrut chairman, and Yaakov Neeman, finance minister, are both trying to win over public opinion as the labour dispute intensifies. There was no sign of compromise as the two entered another round of negotiations yesterday evening.

Mr Peretz is demanding an 8 per cent pay rise for public sector workers, which amounts to a real increase of about 4 per cent at current inflation levels. Mr Neeman, fearful of pressure on inflation and the budget, is determined to limit an increase to 1 per cent.

Work stoppages by about 300,000 public sector employees since last Thursday have paralysed the public sector. Mr Peretz threatened to send more workers home today if no agreement was reached. This could shut down the Ben Gurion International Airport, the Tel Aviv Stock Exchange and state-owned banks, which so far have not been involved.

Mr Peretz, addressing a public that is growing weary of an annual strike ritual, pleaded to Israelis to back the campaign.

"We want to prove that even workers with the lowest salaries are capable of fighting," he said.

But the finance ministry, which is determined to cut the 1999 budget by Shk2.2bn ($570m), warned that every 1 per cent wage increase added up to Shk700m: "This will require additional reductions in other government expenditures and public services."

The statement sparked a fierce attack by Mr Peretz, who accused ministry officials of inflating figures to discredit union demands. "If a 1 per cent wage increase equals Shk700m, we will be satisfied with 1 per cent and can cut a deal immediately," he said.

Wages of US workers start to bounce back

By Robert Taylor, Employment Editor

After seven years of US economic recovery the real wages of American workers have begun to improve, with a 2.6 per cent annual rise since 1996 as a result of tight labour markets, low inflation and an increase in the minimum wage.

But most workers' real wages are still not back to the levels of 10 years ago. Nor have the living standards of most working families fully recovered from the early 1990s recession.

These are the main conclusions of the biennial study of working America published yesterday by the Economic Policy Institute, the independent think-tank, in Washington DC.

"American families are working harder to stay in the same place and are seeing little of the gains in the overall economy," claims the report. "Amidst positive overall growth, significant economic disparities persist as trends in wages, income and inequality in the 1990s continue to follow patterns set in the 1980s."

The report adds US jobs have grown less secure and less likely to offer health and pension benefits. "Middle-class wealth (the value of tangible assets such as houses and cars, plus financial assets, minus debts) has also fallen," it says.

However, the report believes official US income data, due out next month, should indicate the typical family has regained the after-inflation income level it achieved in 1989.

The main reason for current income trends is a continuing wage deterioration among middle- and low-wage earners and white-collar and some college-educated workers, argues the report.

The share of wealth held by the top 1 per cent of US households went up from 37.4 per cent of the national total in 1989 to 39.1 per cent in 1997 while the share held by families in the middle fifth of the population dropped from 4.8 per cent to 4.4per cent.

The state of Working America 1998-1999, from the Economic Policy Institute, 1660 L Street NW, Suite 1200, Washington DC 20036. Copies available in January from Cornell University Press.

Latin America in plea to G7 over recession fears

By James Wilson in Panama

Latin American leaders have called on the Group of Seven industrialised nations to take urgent action to stop a worldwide slide into recession.

Amid growing fears that contamination from Asia and Russia will cause a full-blown crisis for the region, they also made clear they expected the International Monetary Fund and other multilateral finance organisations to stand behind them if they faced a liquidity crunch through being shut out of world capital markets.

Their demands, made at this weekend's summit of the Rio Group of Latin American nations in Panama, come after a traumatic week for the region's stock markets and economies. Colombia devalued its currency, the Mexican peso fell to historic lows, and Moody's, the credit rating agency, cut its rating on Brazil and Venezuelan debt. It also said it was reviewing Argentina and Mexico.

Leaders concentrated most of Saturday's talks on the crisis and took the unusual step of issuing a separate declaration responding to the economic woes.

Their declaration said G7 countries needed to "take measures immediately to restore stability in financial markets and guarantee the growth of the world economy". World financial organisations needed to "become involved more quickly and effectively".

Their concerns were voiced by Mexican President Ernesto Zedillo, who said everyone had a part to play in staving off a crisis.

If you're Irish, come into the Congress

Wherever they come from, Massachusetts candidates should be ready to eat corned beef and cabbage, reports **Victoria Griffith**

In campaigning for the congressional seat vacated by Joe Kennedy in Massachusetts, an Irish background does not go amiss, and candidate Ray Flynn knows it. On a recent hand-shaking tour, the former Boston mayor burst into an *a capella* rendition of "Wild Irish Rose" and earned a warm reception.

Irish roots in this state's politics run deep. When Irish immigrants at the turn of the century found themselves marginalised by Boston's upper-class "Brahmins", they fought back by grabbing political power. At one time, nearly all Massachusetts' main politicians – from the governor to mayors to congressional representatives – had Irish backgrounds.

St Patrick's Day is an official Massachusetts holiday, and local politicians are expected to spend it at a corned-beef-and-cabbage breakfast in the Irish-American enclave of South Boston. The meeting is still such a political hot bed that this year Vice President Al Gore showed up in the hope of cementing Democratic support in the state.

Joe Kennedy's Eighth District seat has been occupied, in various years, by a who's who of Irish Americans. His uncle and former US president, John F. Kennedy, used the seat to launch his political career. The flamboyant former Speaker of the House, Tip O'Neill, represented the Eighth District for many years, as did James Michael Curley, a controversial local hero who also served as governor of Massachusetts and mayor of Boston.

But Irish Americans' hold on Massachusetts is beginning to loosen. The current mayor of Boston and the state's governor both have Italian backgrounds, and Ted Kennedy is the only member of his dynasty still holding political office in Massachusetts. Yet even those who have no Irish blood are well-advised to profess Irishness at heart. While the state as a whole has become more conservative over the last decade, it still remains the most reliably Democratic in the country. Many areas remain downright leftwing.

Political Irishness in Massachusetts means an unabashed "something-for-the-little-guy" approach. Nowhere does such liberalism play better than in the Eighth, which comprises half of Boston, a few working class suburbs and the moneyed but heavily Democratic towns of Cambridge and Belmont. "It is probably the most liberal congressional district in the country," says Steve Bloomfield, director of the fellows programme at Harvard University.

Mr Flynn's political agenda – including health care benefits and child care for the poor, guaranteed access to social security for the elderly, and jobs for the working class – is just as well received in this district as his Irish roots. Despite a reputation for heavy drinking and criticism over his performance as ambassador to the Vatican, the former mayor is ahead in the polls.

He is the current frontrunner in a heavily splintered race that features a former talk-show host and a few millionaires, most of whom are offering a policy profile as liberal as his. Even his anti-abortion stance in this heavily pro-choice region does not seem to be hurting this South Boston native, who has just enough star quality to have made him a local celebrity.

"The state has gotten a little more Republican," says Mr Flynn. "But here in the Eighth, it's lunch-pail politics for a working class constituency."

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SOCCER ENIC MAY OPPOSE BSKYB IN FIGHT TO TAKE OVER SPORT'S RICHEST CLUB

Bid battle looms for Manchester United

By Patrick Harverson and David Wighton in London

Enic, the leisure group with extensive interests in European soccer, is poised to join the bidding for Manchester United after the sport's richest club confirmed yesterday it was in takeover talks with BSkyB, the UK satellite broadcaster.

Enic is considering a rival offer for United after news of BSkyB's takeover plan was fiercely criticised by politicians in London opposed to any attempt by Rupert Murdoch, BSkyB's largest shareholder, to increase his influence over the national sport.

The government yesterday suggested a takeover of United by BSkyB could be referred to the Monopolies and Mergers Commission.

BSkyB already owns the exclusive rights to broadcast live Premier League soccer games, which are heavily promoted by Mr Murdoch's newspapers. Critics said its ownership of United would raise several potential conflicts of interest. They were concerned about possible abuse of its powerful position in soccer.

The political opposition to a BSkyB takeover has encouraged Enic, which has long been interested in acquiring a top English club, to enter the fray. It has not yet held talks with United, but is ready to make an approach this week.

The group – which owns Vicenza of Italy, Slavia Prague of the Czech Republic, AEK Athens of Greece and a 25 per cent stake in Glasgow Rangers of Scotland – would look to Time Warner, the US entertainment group, for financial backing. Enic and Time Warner are already partners in an international restaurant and retail joint venture.

A battle for United would almost certainly push the price of the club above the £575m ($949m) reported yesterday as BSkyB's opening offer. United's shares closed on Friday at 159p, valuing the club at £413m, but analysts believe a bidder would have to pay a big premium.

BSkyB faces considerable opposition to a takeover of United. Tony Banks, the sports minister, said the competition authorities would have to examine the deal, which would have "very, very profound" consequences. He said: "I would imagine there are alarm bells ringing somewhere because this isn't something that can just sail through like any other takeover bid because there are profound consequences, not just for sport, but for competition within the media generally."

The prime minister's office made no attempt to distance itself from Mr Banks' comments. "We would look very carefully at the competition issues that may arise and the normal procedures would be followed," it said.

The Department of Trade and Industry said a deal would definitely be scrutinised by the Office of Fair Trading, which advises the chief minister on whether to refer bids, and added: "There may be an argument that this sort of deal might have an effect on competition."

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Northern Ireland's sworn foes on road to milestone meeting

John Murray Brown on the gestures that may pave the way to talks between leaders of the two main nationalist and pro-British parties

After the rapid pace of recent developments, the Northern Ireland peace process marks a further milestone today when David Trimble, first minister in the new assembly, chairs the first meeting of the province's party leaders.

The gathering has gained in importance amid hopes that it may lead to direct talks between Mr Trimble, leader of the pro-British Ulster Unionist party, and Gerry Adams, president of Sinn Féin, the political wing of the IRA.

Continuing tensions were highlighted over the weekend when two policemen were injured in bomb attacks during riots in the town of Portadown. But in a process propelled by set-piece events, any public show of reconciliation between these sworn foes could restore public confidence in the recent Good Friday peace accord.

The signals are mixed. Mr Trimble yesterday ruled out a symbolic handshake. He accused Mr Adams of offering not an open hand but one holding three tons of Semtex explosive and hundreds of AK-47 assault rifles. "You have got to be careful about the signals you send to people," he said.

At the same time, he claimed arms decommissioning was inevitable and that the anti-British republican movement was "on a conveyor belt" to dismantle its armoury. No unionist believes the IRA is about to disarm, but Mr Trimble needs to justify his tactics to his supporters, many of whom are deeply sceptical that Sinn Féin has renounced terrorism.

His advisers were anxious yesterday to stress that any contact Mr Trimble may have with Mr Adams is in the context of his role as first minister, not as leader of the Ulster Unionist party. But government officials point out that just to invite Mr Adams to a meeting of party leaders is to accept the legitimacy of Sinn Féin's electoral mandate.

Mr Trimble has little room to manoeuvre. Meeting Mr Adams would be one thing, but sitting down in government with Sinn Féin ministers while the IRA retained weapons would be too much.

Many unionists fear the appointment of Sinn Féin's Martin McGuinness to liaise with the international arms decommissioning body may simply be reassurance to his own grassroots because the IRA has given no commitment on disarmament.

John Bruton, leader of the Republic of Ireland's opposition Fine Gael party, says Mr Adams' latest statement amounts to little more than an aspiration that violence "must be" a thing of the past, offering no guarantee that violence would be finished for good.

There is an element of bluff in this developing stand-off. No executive for the province can be set up until the parties agree what ministries are to be created. The timing is largely in Mr Trimble's control as first minister. The only binding date is that areas of cross-border co-operation have to be identified by the end of October. Unionists say that can happen even without an executive.

But Dublin's concern, and that of many nationalists, is that Mr Trimble may be spinning it out to put pressure on Sinn Féin. Seamus Mallon, his deputy, will face difficulties within his moderate nationalist Social Democratic and Labour party if he allows Mr Trimble to set the pace of events.

Even in the wake of President Bill Clinton's visit last week, unionists recall that it was barely two months after the last Clinton visit in November 1995 that the IRA broke its first ceasefire with the huge bomb in London's Docklands. What, they ask, will the IRA do if negotiations become bogged down this time?

Mr Trimble believes he can sit it out. He points out other aspects of the agreement are already in train. This week will see the first paramilitary prisoners set free as part of the peace agreement. And a commission to examine changes to the Northern Ireland police force – a key demand of Sinn Féin – is under way, chaired by Chris Patten, the former Hong Kong governor.

A Catholic-owned shop in Portadown firebombed by pro-British loyalists at the weekend Paul McErlane

'No timetable' for decommissioning

Mo Mowlam, Northern Ireland secretary, stressed in an interview with Sky television's *Sunday* programme that she would not make decommissioning a timetabled precondition for all the other parts of the Good Friday agreement.

She said: "I think decommissioning has to happen. I have never put time limits on any of the dimensions of the Good Friday agreement, apart from the two years [by] when all the dimensions have to be implemented." She added: "All dimensions of the Good Friday agreement have to move together to work. It is not only important to have movement on decommissioning but across the board."

"In relation to decommissioning, of course it has got to happen but what you mustn't do is keep putting something up front and making it a hurdle to jump over."

Warning on powers of planned financial regulator

By Jean Eaglesham and David Wighton in London

The government's plans to create an all-powerful financial services regulator will soon come under public attack by a senior industry figure for the first time.

Angela Knight, the former Conservative Treasury minister who heads the Association of Private Client Investment Managers and Stockbrokers, will claim at an industry conference later this month that the Financial Services Authority will not be sufficiently accountable to the firms that are regulated by it and required to pay for it.

Michael Fallon, the opposition Conservative spokesman on financial regulation, yesterday strongly backed the call for greater accountability. "It is dawning on the City [of London] now just what colossal powers the FSA will have and the complete lack of accountability of what is indeed a private company," he said.

The concerns have been triggered by the draft legislation for the new regulator, which gives it an extraordinarily broad range of powers and responsibilities.

The government wants the law to be sufficiently flexible to implement any regulatory changes over the next few years without having to redraw the legislation.

It plans to give the FSA reserve powers to cover mortgages and bank deposits, neither of which are currently regulated. The draft bill also gives the regulator a free hand to make rules in certain areas, such as money laundering.

Many in the financial services industry are concerned the government is giving the FSA too much power with too little accountability. They point out the members of the FSA board will not be responsible to regulated companies for their actions in the same way that a company director is to shareholders, or indeed the directors of any regulated company will be to the FSA.

The FSA, like the Securities and Investments Board it replaces, will remain broadly answerable to parliament. But Mrs Knight will say that additional controls are needed.

Big electricity consumers urge price cap

By Andrew Taylor, Utilities Correspondent

Some of the electricity industry's biggest customers want the UK government to place a ceiling on wholesale power prices charged by generators in the wake of what they describe as "excessive contract price rises this autumn".

The Utility Buyers' Forum – representing companies such as the GKN industrial conglomerate and J Sainsbury, one of the country's biggest retail chains – has asked Peter Mandelson, chief industry minister, to impose a price cap until changes can be introduced reducing the price-setting power of the big generators.

Mr Mandelson is to respond shortly to the recommendations of a government review of energy policy, which has called for radical changes to electricity trading. He is also considering requests that National Power and PowerGen, the two biggest fossil fuel generators, sell some power stations.

The UBF, in a letter to Mr Mandelson, said it recognised that neither proposal "can be introduced overnight". But the minister should consider imposing a price cap until "truly competitive market conditions emerge".

The national Electricity Pool, which acts as a clearing house between generators and customers, sets wholesale prices that are used as a guide when negotiating individual contract terms.

The UBF said in its letter that inflationary generating price increases had been imposed in the autumn electricity contracting round, "the most common renewal date for industrial and commercial buyers of electricity".

Bob Spears, UBF electricity director, said annual costs of those negotiating new prices from October had risen by £60m which, if taken across all industry and commerce, would represent a rise of 4 per cent in annual generation prices.

The Electricity Association, which represents power generators and suppliers, said yesterday that prices had fallen by up to 30 per cent in real terms since 1990. "The contracts market remains highly competitive," it said.

NEWS DIGEST

THE ECONOMY

Union leaders to press Blair to act over downturn

Trade union leaders will today press Tony Blair, the prime minister, to deal with the deepening economic downturn in the run-up to the Trades Union Congress, which starts next Monday. A delegation led by John Monks, TUC general secretary, will urge a cut in interest rates to reduce the value of the pound. Ken Jackson, general secretary of the AEEU engineering workers' union, has asked Eddie George, governor of the Bank of England, and other members of the central bank's monetary policy committee, to cut interest rates when they meet on Thursday. Union leaders believe Mr George will receive a hostile reception when he speaks to the conference – for the first time – unless the Bank moves to allay the fears of industry about the strength of the pound and the decline in exports. "The Conservatives tried to kill off manufacturing industry and the Bank is trying to finish off the job", said Mr Jackson yesterday. **Robert Taylor, London**

SCOTLAND

Polls put Labour ahead

Two polls in Scottish newspapers indicated yesterday that the governing Labour party had regained its lead over the Scottish National party, which seeks independence for Scotland in the European Union. Previous polls have suggested the SNP is ahead of Labour. The two surveys suggested that Labour would be the biggest party in the new Scottish parliament, able to form an administration with the support of the pro-European Liberal Democrats. But the findings were tarnished for Labour by another conclusion of the NOP poll: that 50 per cent of those questioned supported Scottish independence, with 45 per cent opposed. The SNP will soon propose an overhaul of Scotland's export promotion activities in its manifesto for the elections to the parliament. The SNP believes Scotland's exports are too narrowly focused on the drinks and electronics sectors. **Andrew Parker, Edinburgh**

COMPETITION POLICY

Ministers attacked over bill

Ministers and the Office of Fair Trading were attacked by the opposition Conservative party yesterday for failing to provide business with details of how new competition legislation will operate. John Redwood, the party's chief industry spokesman, said it was "totally unsatisfactory" that companies still did not know how the regime would be implemented. John Bridgeman, the director-general of fair trading, admitted in a letter to Mr Redwood that there were still many uncertainties surrounding the bill, which is expected to become law by the end of the year. Mr Bridgeman also said the government has still not come up with a definition of which vertical or supply agreements would be exempted from the prohibition on anti-competitive agreements. **David Wighton, Wighton**

'AIR RAGE'

Research blames stress

"Air rage" – in which passengers disrupt flights – can be caused by anxiety among passengers, according to Business Traveller magazine. Research showed that many business executives feared flying, yet continued to go by air because their job demanded it. The Business Traveller article claimed:

- Few crews are given much training on how to handle unruly passengers.
- Some airlines dispense too much alcohol on flights.
- Frustrated smokers cause much of the trouble.
- Stress can cause passengers to behave unpredictably.

Too high expectations can also be a cause of trouble, said Business Traveller. In one instance, a flight attendant was badly burnt when a passenger threw two pots of coffee over her after being denied an upgrade.

SCIENCE

Hawking attacks 'extremists'

Stephen Hawking, the best-known scientist in Britain today, last night led a scientific counterattack against animal rights "extremists". On the eve of the British Association's annual science conference in Cardiff, Professor Hawking, professor of mathematics at Cambridge University, accused extremists of turning to animal rights "from a lack of the more worthwhile causes of the past, like nuclear disarmament". Professor Hawking, who suffers from motor neurone disease and speaks through a voice synthesiser, is a patron of Seriously Ill for Medical Research, a patients' group that defends humane experiments with animals to promote human health. The group condemned the use of violence and intimidation against medical researchers who use animals. Colin Blakemore, the Oxford University brain researcher who is this year's British Association president, has suffered frequently from such attacks. **Clive Cookson, Cardiff**

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Adare Printing IR6.72p
Anglian 6p
Arriva 3.6p
Cable & Wireless 6⅞% Nts 2003 $63.75
Do 6⅞% Nts 2005 $63.75
Do 6¾% Nts 2008 $63.75
Capital Shopping Centres 6⅞% Bd 2013 £34.375
Holders Tech 2p
MS Int 0.65p
Prism Leisure 5p
Scottish Highland Hotels 1.4p
Sony 6⅛% Nts Mar 2006 $30.625
Wessex Water Fltg Rate Cm Pf 3.225p

■ TOMORROW

Abbey National Treasury Gtd FRN 1999 $14.38
British Gas Int Fin 8⅞% Gtd Nts 1999 $83.75
Reuters 3.4p
Rockwell Int $0.255
Tenneco $0.30
Treasury 7¾% 2006 £3.875
Treasury 10% 2003 £5.0
Trifast 7.5p
Wah Kwong Shipping HK$0.234

■ WEDNESDAY SEPTEMBER 9

Anheuser-Busch $0.28
Funding for Homes 10¼% Db 2018 £5.0625
Halifax FRN 1999 £194.50
Harveys Furnishing 6p
Investors Cap Tst Inc Anty Rest/Vtg 1.42p
Do Units 1.42p
Joseph (Leopold) 16p
Nat West Bank 7⅞% Sb Nts 2015 £78.75
Partridge Fine Arts 1.75p
Residential Mortgage Sec 1 Class A Mtg Bckd FRN 2034 £127.68
Do Class M £203.85
Do Class B £269.38
Uno 4.15p
Woolwich 7% Nts 1998 £700.0

■ THURSDAY SEPTEMBER 10

AlliedSignal $0.15
Anglo Irish Bank FRN 1998 £196.92
Carclo Engineering 7.56p
Chevron $0.61
Dun & Bradstreet $0.1885
Exxon $0.41
General Motors $0.5500
IBM £0.22
Lex Service 7.8p
Lilly (Eli) $0.20
Mobil $0.57
Nat Australia Bank Sb Var Rate Nts 2000 £203.85
Nat West Bank Var Rate Cap Nts 2009 £206.37
Pfizer $0.19
Portman Bldg Scty FRN 1999 £195.78
State Bank of New South Wales Sb FRN 2005 A$74.33
Texaco $0.45
Treasury 5½% 2008/12 £2.75
United Technologies $0.36
Warner-Lambert $0.16

■ FRIDAY SEPTEMBER 11

ABN Amro FL0.60
Bankamerica $0.345
Break for the Border 1.3p
Brunner Inv Tst 3p
Debenham Tewson & Chinnocks 2.2p
Driefontein Cons R0.60
French Property Tst 0.5p
Racal Elec 3.9p
St Helena Gold Mines R2.0
St Modwen Props 1p
Savills 3.5p
Total Office 1.8p
Treasury FR 1999 £1.8778
Witan Inv 3.35p

■ SUNDAY SEPTEMBER 13

Hydro-Quebec 12¾% Ln 2015 £6.375

UK COMPANIES

■ TODAY

COMPANY MEETINGS:

Asia Healthcare Tst, Cheapside House, 138, Cheapside, E.C., 11.30
Baring Emerging Europe Tst, 155, Bishopsgate, E.C., 2.30

BOARD MEETINGS:

Finals:
Adwest Automotive
Billiton
Bryant
Epic Multimedia
Haynes Publishing
Photobition

Interims:
Bodycote
British Vita
Burmah Castrol
Candover Invs
Dewhirst
Forth Ports
Hodder Headline
PPL Therapeutics
Relyon
Ryland
WSP

■ TOMORROW

COMPANY MEETINGS:

New London Capital, Fountain House, 130, Fenchurch Street, E.C., 12.00

BOARD MEETINGS:

Interims:
Aggregate Inds
BBA
Baird (Wm)
Brammer
Charter
Expamet Int
Fisher (James)Fishers Int
Hillsdown
Holmes Place
IMI
Iceland
Jardine Lloyd Thompson
Norwich Union
Novara
Pentland
P & O
Scottish Media
Simon
Staffware
Taylor Woodrow
Williams
Yule Catto

■ WEDNESDAY SEPTEMBER 9

COMPANY MEETINGS:

Great Universal Stores, Chartered Insurance Institute, 20, Aldermanbury, E.C., 12.00

BOARD MEETINGS:

Finals:
Beazer Homes
Domestic & General
Gearhouse
Logica

Interims:
Albright & Wilson
Caradon
Coats Viyella
Devro
Glynwed
LucasVarity
PSD
Peptide Therapeutics
Premier Oil
Rugby
Russell (A)
SGB
Signet
Tempus
Thistle Hotels
United News & Media

■ THURSDAY SEPTEMBER 10

COMPANY MEETINGS:

Courts, 160 A, Fleet Street, E.C., 11.00

BOARD MEETINGS:

Finals:
Brierley Inv
Peak Int
Sirdar
Stavert Zigomala

Interims:
BTR
Beattie (James)
Bentalls
Booker
Centrica
Courtaulds Textiles
Dawsongroup
EBC
Gallaher
Goldsmiths
Hanson
Heywood Williams
Highcroft Inv
Laing (John)
Laird
Linton Park
Mirror
Mowlem (John)
National Express
Pendragon
Peterhouse
Queens Moat Houses
RTZ
Rathbone Brothers
Sema
Shell
Soco Int
Spirax-Sarco
Trafficmaster
United Biscuits
Yorklyde

■ FRIDAY SEPTEMBER 11

COMPANY MEETINGS:

Hampson Inds, Copthorne Hotel, Merry Hill, The Waterfront, Level Street, Brierley Hill, West Midlands, 12.00

BOARD MEETINGS:

Interims:
British Regional Airlines
Dean
Group Tst
Lionheart
Television
Wood (Arthur)

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

هكذا من الاصل

INSIDE TRACK

PROFILE LIVIO DESIMONE

Top man in a sticky situation

His company might have been going through a rough patch recently, but the chairman of 3M believes the way forward is to focus on product development, writes **Nikki Tait**

Livio "Desi" DeSimone, chairman and chief executive of 3M, is running late. Dozens of analysts and institutional investors are set to descend on the company's vast Minnesota-based headquarters for a biennial briefing, and there are presentations to rehearse. A secretary darts in and out, as minders look anxiously at their watches.

Mr DeSimone, though, seems unruffled. An affable, down-to-earth character – known throughout the company simply as Desi – he plonks himself down in an unpretentious office. His hands wave vigorously and energetic sentences go unfinished as he contemplates the challenge presented by the global economic turmoil.

"How the hell do you ever come out of it? I don't know," he remarks frankly, of the Asian crisis. "You look from high enough and say, well, the position we have in Asia is phenomenal and it will serve us really well somewhere down the road. But year on year, we're going to swallow this very large pill."

The task of keeping matters on an even keel seems to be Mr DeSimone's lot at present. For years, management gurus have slavered over 3M. But many in Wall Street have turned against the company, wiping a third off its share price in a year.

The company was born, unpromisingly, out of an abortive project to mine corundum, an abrasive mineral, in the early 1900s. But in recent years, its ability to make extremely healthy margins from a huge array of basic products – from Scotch tape and scrub sponges to tooth-filling materials – has won plaudits. 3M, which has focused on innovation and on producing a steady stream of new products, has consistently been in the top 10 of Fortune magazine's most-admired businesses.

The Asian crisis has taken some of the sheen from that success: the region represented about 23 per cent of the group's $15bn annual sales and yielded higher margins. Growth opportunities back home are more limited, mainly because 3M already has large market positions there.

Moreover, as Mr DeSimone puts it, even in the US, conditions are "not universally good". Many of 3M's vaunted financial targets – such as the 8 per cent labour productivity improvement year-on-year – will be missed in 1998. Profits will probably be flat.

So far, the company's response has been limited. True, it will shed about 4,500 jobs, out of the 75,000 employed at end-1997, but these jobs are only disappearing over 18 months and largely by attrition.

Last month, 3M also promised to rationalise some facilities and cut out less profitable product lines – for example, on the medical products side. All this, it says, should be sufficient to push it back to a 20 per cent operating margin by 2001.

But analysts, who grilled executives at the day-long Minnesota briefing, are concerned that global conditions may be declining faster than 3M is responding. "Everyone's saying he's on Desi-time," grumbled one pundit.

This is not new territory for Mr DeSimone. When he took over the top job at 3M in 1991, the company was heading for a rocky period. Between 1991 and 1993, its annual sales growth averaged only 2 per cent, as US recession bit.

In the early 1990s, a big part of his solution was to step up product development, cut down lead times and eventually introduce the "Pacing Plus" programmes. These focus expenditure on the most significant and market-changing product possibilities. There are now about three dozen such programmes.

> **The company will continue to spend about $1bn a year on R&D, and may even accelerate the rate at which products are brought to market**

Today, the 3M chairman remains determined that the company will not retreat from innovation. (It allows technicians to devote 15 per cent of their time to any research project they want). Rather, it will continue to spend about $1bn a year on R&D, and may even accelerate the rate at which products are brought to market.

"That's the engine of growth for us," says Mr DeSimone, enthusing about a range of programmes from microflex circuits to new CFC-replacement chemicals. "That has to continue to be what drives not only the quantity but the quality of this company."

But is it not tempting to pare back programmes to conserve cash if times get tough? "No, I think what we want to do is speed them up to compensate for the slowness. But it does raise the question, where does [the R&D funding] come from? Well, it means being efficient everywhere else. Reallocation of resources is not easy in this company. But not every product line does well. Some don't return their cost of capital."

Mr DeSimone is also quick to defend the basic shape of the group. He leapt on a question about the appropriateness of a conglomerate structure in the 1990s environment of "core competencies" and streamlined asset portfolios almost before it was asked. 3M, after all, still makes 50,000 products.

"A very large part of what this company does has sticky stuff on it," he says. "Whether you talk about Post-It notes, or office tape, or bonding tape for industry, they're clearly sticky. But half of our medical healthcare business is also based on something being sticky. The knowledge we have [allows us] to make those [basic products] valuable."

"I'll just use one example, reflective sheeting. The fact is that it's sticky. The advertising brackets that go on trucks, they get stuck on. And the fact that we have that capability makes our commercial graphics division a much better business.

"Now adhesiveness is the most traditional property you'll find across the company technologically. But micro-replication ... will also permeate this company in a series of market applications – light management, reflective sheeting, brightness enhancement." In short, a conglomerate justified by common technology threads? "Absolutely," says its chairman.

Mr DeSimone concedes that the consolidation occurring throughout US industry may require 3M to be more acquisition-minded – although he foresees difficulties. "The Justice Department would not look kindly at our buying a tape company – and there are many areas we are fairly dominant in. But it's not a static situation ... There are areas we must expand in."

Finally, there is the difficult question of just how hard 3M needs to batten down the hatches to ride out the current global conditions. Mr DeSimone feels the conditions in Asia will hit the company hard this year, offset perhaps to a small extent by better conditions in some European markets. (Overall, slightly more than half of 3M's business lies outside the US). Thereafter, as conditions level off, year-on-year comparisons will look more favourable.

Current rationalisation plans, he stresses, are based on the company's best estimate of how conditions will pan out and they should be more than sufficient.

But he adds: "We're not saying this is the plan that does everything – if there's a different model that shows up, we will react accordingly."

Essential Guide to Desi DeSimone

Desi DeSimone, 62, carries on a tradition within 3M – or Minnesota Mining & Manufacturing – of appointing long-term insiders to the posts of chairman and chief executive.

The child of Italian immigrants, he grew up in Montreal, and English was actually his third language, after Italian and French.

He emerged from McGill University with a degree in chemical engineering and was promptly hired by 3M in 1957, aged 21. For four years, he worked as a process engineer with 3M Canada.

He then went into management, working at plant jobs, including head of manufacturing operations in Brazil. His first vice-president's position came in 1975, also in Latin America.

By the time he became chief executive in 1991, he had direct experience of many areas of 3M, from life sciences to industrial and consumer products and the imaging and electronics business.

With 3M being a stalwart of the Minneapolis-St Paul business scene, DeSimone turned his talents to civic positions – for example, with the Minneapolis Business Partnership, as a member of the business round table.

He has also sat on the boards of a handful of other local companies, including General Mills and Dayton Hudson, the large Minneapolis-based department store group.

He has indicated that 3M's management tradition is unlikely to change in the near future.

As to his successor DeSimone has said he expects to stay *in situ* until 2001, but – with a nice touch of self-effacing humour – he acknowledges the need to find someone "less chronologically challenged".

But, he says, well before the handover date 3M will have "several people with broad enough experience" to vie for the job.

LUCY KELLAWAY

Ensnared in corporate cordons

Office security systems can be an ordeal for the visitor. Perhaps it is time to do away with those aggressive guards and to re-introduce some old-fashioned courtesy

If I shake my handbag there is a dull clunking noise. It is the sound made by visitors' passes bashing against one another. If I empty the bag I can produce a selection going back several months.

Some are pretty, some plain, all have clips to attach them to your clothing. I have one with attractive pale green swirls from British Airways. I have red ones, blue ones, white ones.

The most recent addition to the collection comes from KPMG and is one of those tear-off slips of paper made into a personalised badge. It has two special code numbers on it and says who I am, where I work, what time I arrived, who I am visiting, and so on.

On the back it tells me various things I could have worked out for myself. "Please obey any instructions you may receive in the event of an emergency," it says.

Every now and again I put my passes in envelopes and post them back to their owners, who are so punctilious about handing them out, but so careless about claiming them back. And then I wonder what it is all about.

Going to visit anyone these days is becoming an increasingly elaborate performance. First you have to announce yourself, and answer a whole raft of questions. Then you are issued with an electronic card which will allow you to pass through the building.

Or rather, a card that may *not* allow you to pass through the building. A common sight in reception at the Financial Times is captains of industry and other assorted guests failing to operate the electronic gates. They insert their passes into the slot one way. Nothing. They try them the other way. Still nothing. Eventually a security guard explains that the card is back to front or upside down and swipes it correctly.

In terms of office security, ordeals like these are routine. Something worse happened to a colleague when he went to visit Cisco Systems, one of the many companies in the old NatWest Tower, now renamed the International Finance Centre. With him was a natty little fold-up bike.

The man at the main reception told him he could not take his bike in because it was a bomb threat.

A second security guard said the bike was a dangerous object and according to health and safety regulations it could neither come into the offices nor could it be left unattended in reception. My colleague insisted; the guards said he was trespassing and threatened to call the police.

Eventually a compromise was struck. My colleague was allowed up to his meeting, but only when a Cisco employee agreed to come down to sit with his bike. Much time had been wasted, many tempers lost.

What is all this security for? It is particularly telling when even the guards themselves don't know the purpose of their fancy arrangements. Many will tell you that they are in case of fire – the electronic passes keep track of who is in the building, and anyone who wants to find out can get a print-out. This seems absurd: when a fire is raging through the building it is surely not the time to start faffing about with the printer.

> **The IBM Europe headquarters is like a fortress with a mass of electronic gates**

Office security is particularly tight at IT companies. The IBM Europe headquarters is like a fortress with a mass of electronic gates.

In many places you cannot even go to the loo unaccompanied. But even these companies may not have thought through what they are doing – policing the four walls of an IT company seems a pointless measure when the big threat to their systems comes to them via the internet.

In any case, there is no evidence that corporate theft/espionage/whatever has declined since companies started making such a big thing about security. All the figures show that most of the office crimes and most hacking into computer systems are committed by disgruntled employees anyway.

There may be a few exceptional businesses where security really does matter. The Ministry of Defence and most defence companies demand to see your passport and rightly keep close tabs on all visitors at all times.

At the very least it would look bad if they were not seen to be taking security very seriously.

But for most companies the reverse is true: it looks bad to take quite so many precautions. First impressions count; it is hard to come across as a thoroughly open company if you put your visitors through the third degree at the door and then make them feel like helpless fools by being unable to work their passes.

It need not be like this. The other day I went to visit the offices of a PR company. There was a friendly person on reception who asked me who I was visiting and my name. She told me where to go, and with no card, no signing, no nothing, I was allowed to go up in the lift all by myself.

Admittedly this was a smallish building, but I do not see why larger companies need not be more relaxed. Step one would be to stop outsourcing security to underpaid and over-aggressive guards and bring back receptionists who recognise you and greet your visitors with old-fashioned courtesy.

TIM JACKSON
ON THE WEB

Low cost and voter friendly

There is money to be made from using the internet for shareholder communications

Anyone interested in new business models on the internet should look at two new web sites: *www.investordelivery.com* and *www.proxyvote.com*.

What you will find is a simple but extremely clever business: a service that allows individual shareholders in US companies to receive company reports and to vote at annual meetings over the web.

The commercial rationale is cost. At present, every time a company report is posted to a shareholder, the sender pays between $3 and $7 for the printed glossy document, plus the cost of the postage, plus a processing fee of about 50 cents for the processing house that handles the delivery. Every time a shareholder makes a vote, the same processing house charges 34 cents to handle an incoming postal vote.

A number of companies invite shareholders to vote by phone, entering a personal identification number and voting on each motion by pressing keys on a touch-tone phone. But this cuts only part of the cost.

So there is clearly a nice opportunity waiting for the entrepreneur that can find a cheaper method. Of the two sites, *InvestorDelivery.com* handles the outgoing part, allowing shareholders to opt for electronic rather than paper delivery of reports. The other site, *proxyvote.com*, manages the incoming votes.

The systems work simply. To opt for electronic delivery, you enter an enrolment number sent to you by your broker on behalf of the company you hold investments in. To vote, you simply enter a control code sent to you by e-mail, identifying yourself with the last four digits of your social security number.

What is startling about the two sites, however, is how unglitzy they are. Both appear to have only a handful of pages. There are few graphics, and even fewer attempts to make the process user-friendly.

Neither site gives the name of the company operating the service. It turns out that there is a single organisation behind both businesses, ADP Investor Communications Services. ADP stands for Automatic Data Processing, a division of a group of the same name that dominates the market for processing shareholder communications.

Rick Mehner, ADP's vice-president for application development and responsible for rolling out these sites, says ADP deals with almost all the banks and brokerages that hold shares in nominee names on behalf of individual shareholders.

Mr Mehner believes ADP does not have any competitors, large or small, offering such web-based services. However, he says Dean Witter and a few smaller banks and brokers handle the process in-house of forwarding communications between companies and their final stockholders, on a conventional basis.

ADP's charges for internet delivery are high but simple. For each communication that goes out to shareholders by e-mail, 50 cents. For each incoming shareholder vote received at the *proxyvote.com* web site, three cents. Three cents offers a significant saving on telephone or postal voting. But it is higher than the actual cost of processing.

This seems to open up an exciting opportunity for an internet start-up to persuade high-tech companies to use an alternative channel for internet voting and shareholder communication, at much lower cost than ADP can offer.

ADP's experiment has produced promising results. In the current voting season, the company has handled some 650,000 individual votes over the web, and has signed up some 230,000 shareholders for internet delivery. It has also persuaded companies to send out mailings to shareholders before the annual report, encouraging them to switch from paper to internet.

Cisco Systems, Intel, Gateway, Quantum and America Online have all signed up, while Dell has also subscribed to the service for dealings with individual investors whose names are on the stockholder register rather than hidden behind brokers' nominee accounts.

It would not be hard to construct a friendly, informative investors site to compete with ADP's – and to bring in revenue by selling advertising aimed at high net worth individuals.

Mr Mehner admits a competitor is possible, but warns there are logistical issues – not least, managing integration of data when votes from shareholders who hold accounts with a single brokerage can come from two sources: the ADP process, and a separate start-up.

These problems are unlikely to be insuperable. Here, if ever, is a business opportunity to be grabbed.

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TECHNOLOGY ALUMINIUM INDUSTRY

Cars drive up demand

The search for aluminium sheets to make more efficient autos has saved a former East German factory, writes **Kenneth Gooding**

Only the faith of some executives at Alcan Deutschland in the future of "all aluminium" cars saved the Nachterstedt plant in what was once East Germany.

The drive from Berlin to the plant shows what might have been because you pass several empty, decaying factories, a stark reminder that much of eastern European industry was uncompetitive when exposed to the rigours of a market economy.

Although Nachterstedt, built in 1968, is relatively modern by east European standards, it too was threatened with extinction. It had been making standard aluminium products, mainly for the east European packaging industry, and this business collapsed.

The Treuhandanstalt, the privatisation organisation, was having difficulty finding a potential buyer in 1994 when Rheinhold Wagner, then chief executive of Alcan Deutschland, thought of converting Nachterstedt to supply the automotive industry with aluminium sheet.

Alcan is part of the Canadian group that is the world's second biggest aluminium producer and already involved in developing "aluminium intensive" vehicles. These use aluminium sheet for body panels, doors and so on. Alcan and its partner, VAW of Germany, had recently completed a DM1bn ($500m) expansion of the Norf plant, taking the German facility's annual capacity from 650,000 tonnes to 1.4m and making it the world's biggest aluminium rolling mill. Mr Wagner suggested a substantial part of Nachterstedt's capacity could be converted to process some of Norf's output.

At present European carmakers use about 22,000 tonnes a year of aluminium sheet, but Alcan Deutschland expects this to increase to 70,000 by 2002 and to 150,000 tonnes by 2005.

If the European car industry, which wants to reduce the weight of vehicles to improve fuel economy and cut pollution, begins to build many more "aluminium intensive" cars, demand for sheet will rise. From what it knows about future programmes, Alcan Deutschland calculates that in 10 years, if all the plans on all the drawing boards came to fruition, nearly 1m "all aluminium" cars a year would be produced in Europe compared with about 20,000 now.

Alcan hoped to encourage more carmakers to take the "all aluminium" route by converting Nachterstedt so they need have no concerns about the availability of suitable aluminium sheet.

The group paid about DM50m for Nachterstedt and since 1994 another DM271m to upgrade and expand the plant. State and federal subsidies covered DM120m.

Much of the money has been spent on a new line, 280 metres long, able to roll 20 tonnes of aluminium in one operation – nearly double the previous maximum of 12 tonnes. This has helped to take Nachterstedt's annual capacity to 250,000 tonnes. Last year it produced 103,000 tonnes, up from 84,000 in 1996. Output should rise to 135,600 tonnes this year.

Overall, insists Hans-Georg Ehlich, vice-president automotive at Alcan Europe, aluminium supply is no problem. If, as expected, the amount of the metal per new

Alcan hoped to encourage more carmakers to take the 'all aluminium' route

European car rises from today's 65kg to 250kg in 10 years, it would require another 2.6m tonnes of aluminium, only a 22 per cent increase on the total of 7.4m tonnes used for all purposes – not only automotive – in Europe today. "The aluminium industry could easily keep pace during the time required by the automakers to develop and launch new models," he suggests.

Meanwhile, Hans Peltner, business unit director of Nachterstedt, says the integration with the rest of Alcan's European operations has been relatively smooth. "East Germany was not a third world country. The people are intelligent and well-trained. In the west we would take builders, plasterers and other tradesmen and retrain them to operate rolling mills. In East Germany people were trained for this particular job. They know all the equipment and how to operate it."

Nor were employees strangers to modern management methods. But this was a problem. "Unfortunately, some of these had been tried and failed, probably because of the political system which involved many people being given senior posts because of their place in the [Communist] party, not because of their abilities.

"We introduced a continuous improvement programme and to start with people were wary. They said it had already been tried and didn't work."

Unlike some companies that have taken over former east European industrial operations, Alcan Deutschland did not have to start with a big redundancy programme. The Treuhandanstalt had cut the workforce from 1,800 to 350 before selling Nachterstedt. Employment has since risen to 444.

Nachterstedt employees must be involved in any changes, says Mr Peltner – and changes have been substantial. "We have been transforming shop floor ideas into action and that way they can see they are involved and contributing."

Even so, he says admiringly, "I don't know how they accepted so much change in such a short time without some kind of collective nervous breakdown."

AUTOMOTIVE APPLICATIONS

Tanks with potential

With car emission regulations in Europe due to be tightened, a lucrative market could open up for aluminium fuel tanks

Fritz Rösch believes he has found a way to open up another potentially big market for aluminium – using the light weight metal to make car fuel tanks, *writes Kenneth Gooding*.

The automotive industry has been turning more and more to aluminium as it drives down the weight of vehicles to increase fuel economy and cut pollution.

Manufacturers have been using plastic fuel tanks for most cars and steel tanks for some up-market models.

Modern tanks have complex shapes because they have to fit snugly under the car's floor and in a safe place in front of the rear wheels. Plastic is easily moulded, is light, and so became the industry's main choice.

Mr Rösch – technical adviser to the vice-president, automotive, of Alcan Europe looked for ways to mould aluminium so that it could meet the complexity of design needed for car fuel tanks.

His solution was to braze two aluminium alloy sheets together, place them in a mould and then inject oil heated to temperatures between 150°C and 250°C between the plates.

The hot oil softens the aluminium so that it can be forced into the required shape.

Alcan Deutschland has patented the process in Germany which, says Mr Rösch, effectively gives the group global protection because no company could sell a car in Germany, one of the biggest car markets, using the technology without a licence.

He points out that the potential for the aluminium industry is mouth watering. An 80-litre fuel tank using aluminium sheet 1mm thick would need 6.5kg of the metal which would amount to 100,000 tonnes of aluminium in Europe alone. A similar sized tank with metal 1.5mm thick would require 9.5kg or 150,000 tonnes of the metal.

He suggests there is a good reason why car makers should switch from aluminium from plastic. The European Union is insisting that by 2000 the "evaporative emission" limits for cars will be dramatically tightened.

At present the fuel tank is permitted to release 20 grams of hydrocarbons into the atmosphere every 24 hours in a test that simulates ordinary driving. In 2000 the emission limit will be reduced to only two grams and that figure is for the whole car, not just the fuel tank.

Mr Rösch suggests that as a result of this reduction thicker plastic will have to be used to cut the tanks' permeability, bringing the cost of a plastic tank up to that of an aluminium one.

The aluminium tank, however, would be impermeable. The cost of tooling to make the aluminium tanks would also be low – a material as simple as concrete could be used for the moulds.

But, given the time it takes for the car makers to translate new concepts into road-going components, Mr Rösch does not expect any significant impact for the aluminium industry for at least five years.

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BUSINESS EDUCATION **AUSTRALIA**

Schools find strength in smaller numbers

Gwen Robinson on a merger aimed at reversing the decline in quality that has followed the management teaching boom

Business schools, like any other enterprise, can be in danger of saturating their own market during a boom.

In Australia, a country of just 19m people, "MBA mania" took off relatively slowly in the late 1970s, but this year there were 37 schools offering MBA courses.

The growing number of new courses and the dubious standards of some of them have prompted calls for industry rationalisation.

From January, however, there will be one less institution in the top ranks, following a bold move by the country's two leading business schools. In June the Australian Graduate School of Management, an arm of the University of New South Wales in Sydney's eastern suburbs, and the Graduate School of Business at Sydney University announced they would merge their operations into a joint faculty.

The move will create Australia's biggest dedicated management school and the first, in terms of size and resources, to compete with US and European counterparts. AGSM, with about 120 full-time and 1,500 part-time students, is Australia's biggest business school. Sydney University has about half the numbers.

The two will merge under AGSM's name and offer joint degrees. All full-time MBA students will study at the AGSM's existing facilities, while part-time students will be taught at Sydney University's campus. The two schools are also combining resources to build an executive residential facility for overseas students.

"We realised that size does matter," says Peter Dodd, AGSM's dean and director and the driving force behind the merger. "We have not found a precedent for this merger elsewhere in the world; in the US, universities are sharing facilities for teaching, but they have separate campuses. Joint ownership of a faculty is a first."

The merger does not necessarily guarantee success, he says. "But it will help both of us offer more innovative programmes."

The move has already drawn inquiries from other universities in Australia and overseas about merger possibilities, including requests to enter the AGSM merger. "But even merging two universities is hard enough – the world's top 25 business schools average between 250 and 500 full-time enrolments, and our ambition is to be among their peers," Mr Dodd says.

The merger is expected to generate annual revenues of A$30m (£11.2m) for the school. Enrolments are expected to grow to more than 300 full-time and 2,000 part-time MBA students, with about 50 PhD students. AGSM also runs correspondence courses in Australia's six capital cities.

But one of the biggest growth areas is the school's customised, executive courses, mainly aimed at the corporate market. "Demand is strong, but designing a course for a particular company is difficult and time-consuming," Mr Dodd says. So far this year, more than 4,000 executives have passed through AGSM on special courses which range from a day to four weeks – almost double last year's number. Combining resources has enabled the schools to invest more in facilities. One such facility, to be opened this month, will be Australia's first securities trading and research laboratory capable of simulating financial market trading conditions. "That would have been almost impossible for a small school to do," says Mr Dodd.

The project, called STAR-Lab, was designed by Australian academic John O'Brien, who developed one of the first market simulation systems in the US and joined AGSM from Carnegie Mellon University in the US. The lab's computer systems download real time data from the stock and futures exchanges, enabling students to trade in a realistic environment. The lab will be particularly relevant next year, when the Sydney Futures Exchange abolishes its open-outcry system of floor trading and switches to a fully computerised system.

> 'In the US, universities are sharing facilities for teaching, but they have separate campuses. Joint ownership of a faculty is a first'

Size will also help the newly merged school in a fast-growing area of student recruitment: the Asia-Pacific region. With Asian interest in western educational qualifications rising, Australian schools have a powerful advantage over US and European counterparts in their geographic location and competitiveness. The Australian dollar's falls this year to record lows of about 55 US cents has further enhanced their appeal. "We don't compare ourselves to Wharton or Stanford and the like, but on the next level down, we are very, very competitive," Mr Dodd says.

Already, nearly 50 per cent of AGSM's full-time MBA students are from overseas, mostly Asia. The school is planning to run courses in south-east Asian countries, including Indonesia, Singapore, Malaysia and India. The first was to have begun in Indonesia this year, but was postponed because of political upheaval, and is likely to proceed next year, Mr Dodd says.

With charges of about A$35,000 for a full-time MBA over 18 or 21 months, AGSM is among the most expensive business schools in Australia. In US dollar terms, however, the cost is less than $19,000 – compared with double or even treble the amount at large overseas business schools.

Mr Dodd, 48, is undoubtedly the most high-profile dean of any Australian business school. Having begun professional life as a lecturer in finance at Australian universities he moved to the US where he held positions at the universities of Rochester and Chicago. He joined AGSM in the early 1980s as professor of finance then left to enter investment banking, eventually becoming executive director of SBC Warburg Australia Corporate Finance in 1995. He returned to AGSM as dean and director.

Mr Dodd admits his merger ideas created more than a few ripples in the upper echelons of two of Australia's top universities. "The merger was suggested a few years ago, but the two universities were such ardent competitors, many in the upper echelons couldn't come to terms with the notion they might collaborate rather than compete – well, we took the idea and made it work."

The newly merged school will continue the recent trend at AGSM under Mr Dodd's management towards greater involvement of the Australian business community. Its course structure will also reflect a few of Mr Dodd's own, more unorthodox ideas. The school's board will be chaired by David Hoare, a member of the Sydney University senate and the chairman of Telstra, the Australian telecommunications group.

Australian Graduate School of Management dean Peter Dodd: 'We realised that size does matter'

The business community is also playing a bigger role in the school's direction, with more than 40 executives from big companies participating in an advisory council and assisting the school's placement programme. Mr Dodd has promoted the school as an executive recruitment ground. "Now, 35 to 40 companies are coming every year to look at our graduating students; a lot of them are investment banks."

Mr Dodd's emphasis on "real" world business is aimed at achieving a "balance between rigour and relevance", he says. "How you get that balance is the challenge. Part of the strategy is to bring executives in from outside." This year, AGSM introduced an "executive in residence" programme.

Another innovative scheme has been to invite companies to present real tasks or problems to students.

"Companies came to us with real problems. We'd put together a team involving students, academics and representatives of the company. The company would pay out-of-pocket costs, but no other charges. In return, they'd get a highly motivated group of bright people."

The most unusual programme at AGSM, however, reflects Mr Dodd's strong interest in what he calls the "third sector", or non-profit organisations. Mr Dodd himself is chairman of the Autistic Association of New South Wales and believes all his students should have experience working with community groups.

From this year, it will be compulsory for the school's MBA students to spend a minimum amount of time working with community groups in teams, helping them form business plans or deal with management issues. In addition, Mr Dodd has introduced a scholarship programme for non-profit organisations. "MBA graduates are going to be the managers of the future, so it's important they are aware of the issues that are relevant to society – they can get very self-centred in an MBA programme," he says.

NEWS FROM CAMPUS

Said school submits detailed building plans

The Said Business School in Oxford has submitted a detailed planning application for the construction of its new building opposite Oxford railway station. The school is housed in converted accommodation in the city's hospital, the Radcliffe Infirmary.

Saudi entrepreneur Wafic Said has donated £20m to cover the cost of the new building and the university has committed to raise an equivalent amount to finance academic posts and other needs. More than £12m of that has already been raised.

The university expects the new site to be open in 2000. The school plans to increase the number of MBA students to 200 by 2001.

The architects are Jeremy Dixon and Edward Jones, who were also involved in the ill-fated attempt by the university to build a business school on university playing fields in 1996. The scheme was thrown out after a revolt by academics.

Said Business School: UK, (0)1865 288650

Entrepreneurial education

The concept of developing entrepreneurial skills for use within big companies is fashionable. Babson College in Massachusetts is backing the idea with a course aimed at teaching executives to think like entrepreneurs.

The *Babson Programme on Corporate Entrepreneurship*, run by Babson's school of executive education, will begin with a three-day session in November. A further three-day session will take place in March.

The programme clarifies the difference between a good manager and a successful entrepreneur and helps executives determine when a great idea is also a great opportunity.

Babson: www.babson.edu

Recruiters look further afield

Recruiters for MBA graduates have been combing more schools than in previous years, according to the latest Recruiter Research survey from the MBA Career Guide, in London.

Increased recruiter demand has meant that the biggest schools have been unable to fulfil demand and recruiters have had to turn to smaller schools.

MBA Career Guide: www.career-guide.com

Wisdom of Batts for Chicago

This year MBA students at Chicago will study corporate governance issues under a man who knows all about the topic: Warren Batts, former chief executive of Tupperware. Mr Batts is on the board of Sears Roebuck, Allstate Insurance and Sprint.

The course will cover topics such as the board's responsibility in the case of a hostile takeover and shareholder activism.

Chicago: www-gsb.uchicago.edu

Chambers get own course

Senior managers from Europe's chambers of commerce are getting their own series of courses.

Eurochambres, in Brussels, is organising its first week-long course in Westerham, Germany, this week. The organisers believe the participants will make useful contacts as well as learning effective management techniques.

Eurochambres: Belgium, 2 282 08 50

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Fax 44 171 873 3950

JOHN RIDDING
FILE FROM HONG KONG

Assault on free speech is no storm in a teacup

Triad gangsters have emerged as the biggest threat to freedom of expression and the rule of law

Shortly after stepping out of his Jaguar one morning last month, Albert Cheng, the outspoken host of one of Hong Kong's most popular radio talk shows, was attacked by assailants wielding meat cleavers. The presenter of *Teacup in a Storm* is now recovering, although it is not clear whether he has suffered any permanent injuries.

Across the border in Guangdong province, Cheung Tsz-keung is awaiting prosecution. Captured a few months ago, the alleged triad kingpin is accused of a reign of terror in Hong Kong and the surrounding region. Armed robbery and the kidnapping of tycoons feature prominently on the charge sheet.

The two cases have little in common, apart from the fact that both have been splashed across the territory's newspapers. But they have thrown light on Hong Kong's underworld, and have left thorny questions about sensitive issues ranging from freedom of expression to the rule of law.

"Generally Hong Kong does not have much trouble with law and order," says Law Yuk-fai, director of Hong Kong Human Rights Monitor. "But when it comes to organised crime we still have a serious problem."

Mr Cheng's attackers have not been identified, but the incident bore the hallmarks of organised criminals. "It seems these people were experienced," says Mr Law. "They did just enough to badly injure and intimidate him, but not to kill." After slashing Mr Cheng's arms, legs and chest, they made off in a waiting car.

Apart from their wounded target, the attackers also left behind serious concerns as to their motive. "Cheng's major job is as a commentator, so I have reason to suspect that this case is related to his job," says James To, a legislator from the Democratic party. "If that is so, this constitutes a challenge to freedom of expression as well as to the rule of law," declared the South China Morning Post in an editorial.

Freedom of expression is a sensitive issue in post-colonial Hong Kong. Fears that last year's return to Chinese sovereignty would lead to a muted media, as on the mainland, have so far proved largely unfounded. But the assault on such a high-profile commentator has rattled the territory. "Until we know whether the motive was related to his role as a commentator, no journalist or their family will feel able to relax," says the editor of one Chinese-language daily.

The assault fits into a grisly pattern. In May 1996, the editor of Surprise Weekly had his arm chopped off. Jimmy Lai, founder and owner of the mass market Apple Daily, has been a victim of assaults and has had Molotov cocktails lobbed into his home.

As with attacks on media celebrities, the kidnapping of tycoons has become something of a dark tradition in Hong Kong. In 1990, Teddy Wang, one of the territory's richest property tycoons, vanished despite the payment of a hefty ransom. Several other businessmen have been kidnapped, and many ransoms have been paid in the years after these incidents.

So there is some encouragement to be drawn from recent arrests, and the capture of Cheung Tsz-keung, *aka* Big Boss, alias Big Spender. Among his alleged exploits are the abductions of two of the territory's top tycoons, Walter Kwok, chairman of Sun Hung Kai, the property developer, and Victor Li, elder son of Li Ka-shing, Hong Kong's most prominent businessman. Unlike Teddy Wang, both remain in business following ransom payments.

Yip Kai-foon, one of Cheung's associates, is similarly incarcerated. His gang detonated bombs outside Yip's Stanley prison as an apparent prelude to a daring plan to kidnap Anson Chan, Hong Kong's chief secretary.

> 'As with attacks on media celebrities, the kidnapping of tycoons has become a dark tradition in Hong Kong'

Such schemes read like audacious plots from Hong Kong gangster films, but they prompt very real concerns, despite the recent arrests. Most obvious is the continued threat to law and order from the region's triad gangs. This threat has become more serious given the increased integration of Hong Kong, southern China and Macao, the Portuguese enclave that has witnessed an explosion of gang violence in the past few years.

With the political and economic integration of the mainland and these southern regions, criminal ties have strengthened. Mr Cheung appears to have moved easily between Hong Kong and Guangdong, taking much of the reported HK$1.6bn kidnapping ransom money with him.

Wan Kuk-kui, *aka* "Broken Tooth", Macao's crime lord, now detained in the Portuguese enclave, boasted of having an army of several thousand in Zhuhai. The 14K, one of the biggest triad gangs, is deeply rooted across the Pearl River region of southern China.

The threat of these networks is not lost on the authorities as they battle against corruption and struggle to develop a rule of law. As a sign of its concern, Beijing dispatched the vice-minister of public security to Guangdong to help mastermind Mr Cheung's arrest. Cross-border co-operation between Hong Kong and China has been increased, partly to fight the triads.

Mainland officials have been seeking to maximise the propaganda from their capture of the Big Boss, presenting his fate as a cautionary tale. In a highly unusual broadcast, a contrite Cheung appeared on television in Guangdong. "You take the credit, I have lost," the gang leader told the regional police. Other scenes showed satisfied officials explaining their capture of Hong Kong's most wanted man. But complacency would be misplaced.

There are many more Cheungs seeking to make names for themselves, and the economic downturn provides fertile ground for their exploits. Business leaders are still on their guard against kidnappers, and the territory is on edge about Mr Cheng's assault. Neither of these concerns is a storm in a teacup.

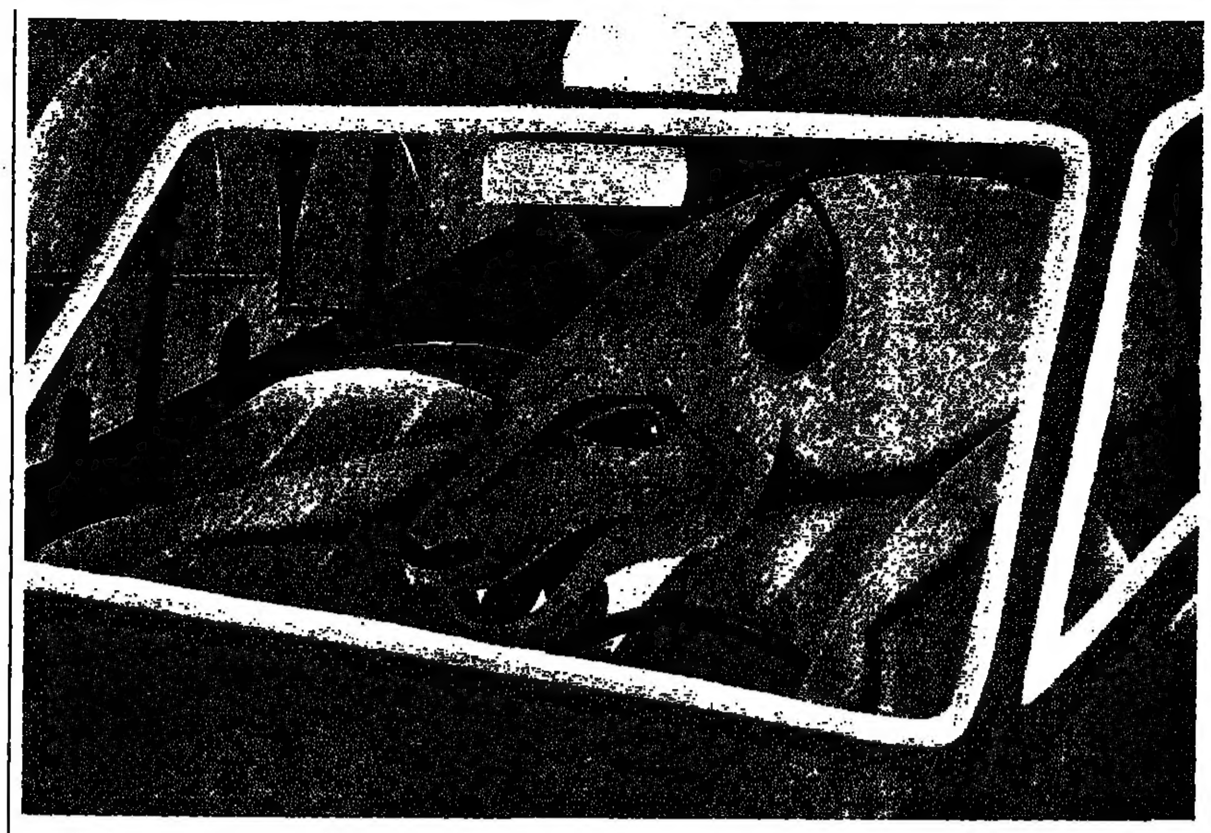

TRAVEL UPDATE

Budapest to clamp down on 'hyena' cabbies

The end is nigh for Budapest's rogue taxi drivers, *writes Kester Eddy*. With their headline-grabbing £50 fares for a £3 cab ride, the hyenas – as they are known in the vernacular – have helped give Budapest the kind of wild east profile it could do without.

So the city authorities have introduced strict maximum rates of Ft250 (70p) per kilometre (Ft280 per kilometre at night) – with draconian penalties for overcharging. Cabbies will have their licence suspended for between three months and five years, depending on the offence.

Some in the trade have still to be convinced, however. Fõtaxis (pronounced furtaxi) is one of the reputable companies which charges nearly half the new permissible maximum. "Hyenas don't change their spots that easily," said a Fõtaxis driver. "Only time will tell if it works."



Cape Town lures Virgin and BA

Those bitter rivals Virgin Atlantic and British Airways will be sparring again next week, this time over the right to operate an extra, non-stop service to Cape Town. Following recent talks between the UK and South African governments, one additional round trip a week is up for grabs. BA flies non-stop five times a week, while Virgin flies to Johannesburg and offers connections to Cape Town with its local code-share partner, Sun Air. The issue will be thrashed out at a public hearing called by the Civil Aviation Authority.

Japan Sheraton

The Sheraton chain will open a 398-room hotel on Yokohama Bay in Japan this month. The 28-storey property is next to the railway station and about 30 minutes from the airport. It promises meeting rooms, restaurants serving Japanese and Chinese food and a top-floor bar lounge with views of the city.

Love Air heads for N France

Stansted-based Love Air launches scheduled flights next Monday between the UK and northern France under a franchise agreement with Regional Airlines of Nantes. It will operate twice a day, Monday to Friday, to Caen from Southampton and Rouen from Birmingham, and to Le Havre from both airports. Flights will connect with the French carrier's extensive network, which links 20 French cities and 18 European capitals.

Meetings in a cold climate

The London-based Corporate Ski Company has launched its first brochure aimed at persuading firms to hold meetings in the mountains. It says there are several European locations – such as Evian in France and Interlaken in Switzerland – which offer convenient transport connections and top-class conference facilities less than an hour from the slopes. The firm will also organise company hospitality and incentive hospitality events and trips in places such as Lapland, where it offers snowmobile safaris and husky driving.

Ritz-Carlton to open in Dubai

With a spectacular wooden "Moorish-Renaissance style" ceiling in its lobby, a 1,000ft landscaped beach and a "swim-up bar" reached through an artificial waterfall, Dubai's new Ritz-Carlton hotel will open for business on September 24. The 138-room property is on Jumeirah Beach, close to the Emirates Golf Club. It is 35km from the airport and 25km from the business and financial districts. The hotel will offer an introductory rate for a standard room, with a sea view, of $225 (£135), plus an eye-popping 26 per cent tax.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	27	27	[illegible]	28	28
Hong Kong	31	31	31	31	30
London	22	22	21	[illegible]	[illegible]
Frankfurt	23	23	23	21	19
New York	[illegible]	[illegible]	25	25	27
Los Angeles	28	28	26	25	26
Milan	25	[illegible]	[illegible]	[illegible]	27
Paris	23	23	24	21	19
Zurich	22	21	23	21	19

Information supplied by PA WeatherCentre — Maximum temperatures in Celsius

EasyJet Madrid

Low-cost UK carrier EasyJet launches scheduled services between London's Luton airport and Madrid on Thursday. Regular fares are expected to start at £49 one way, including tax, or £108 return. Next week the airline will start flying to Belfast. It also aims to be operating to Zurich for the ski season and to Malaga, in southern Spain, from early next year.

Roger Bray

BUSINESS TRAVEL DUSSELDORF

Pen-pushers' city gets new signature

Improvements in road, rail and air links have given this elegant Ruhr city a more upwardly mobile profile, says **Roger Bray**

Düsseldorf's profile is changing. It was once known as *der Schreibtisch des Ruhrgebiets* – the Ruhr's desk – because the region's heavy industries based their pen-pushers there. To some extent it still plays that role, although local business people hate the nickname.

The Königsallee, with its greenery and fountains, designer shops and office complexes, always gave it an elegant heart. But its beat is now more strongly that of the communications business than of steel and mining.

One element in the change was the recent opening of a road tunnel beneath the eastern bank of the Rhine. This has allowed the Altstadt, a busy pedestrianised area with so many pubs it has been called the world's longest bar, to be extended to the riverside, where traffic has given way to walkways and cafes.

Another element is the phoenix-like rise of Düsseldorf's main airport. The city's airport management took advantage of a devastating fire in 1996 to plan a new, extended terminal complex, scheduled for completion in 2003. The airport is the first in Germany to be partially privatised. Last year a stake was sold to a consortium comprising the engineering company Hochtief and Ireland's Aer Rianta.

From October next year, a new station on the Duisburg-Düsseldorf line will be linked to the main German rail network, with a monorail to shuttle passengers to and from the air terminal.

Total cost of the redevelopment, including a check-in hall at the trackside, is DM350m (£117m). The journey time to Dortmund will be cut from 78 minutes to 45 minutes and to Hanover from 3 hours to 2 hours 25 minutes. The airport's management is also planning direct flights by LTU, the German charter airline, to Tokyo's Narita airport. It has applied for a runway extension which would allow non-stop operations with full payloads in all weathers.

Many Japanese companies have set up shop in Düsseldorf, which has historic trading links with the east. The city's 8,000-strong Japanese population is one of Europe's largest.

The airport company also has a majority stake in Düsseldorf-Express airport at Mönchengladbach, 30km to the south-west, and is encouraging operators of smaller aircraft, such as VLM, which flies to and from London City Airport, to go there.

To the south of Düsseldorf's centre, the former port area on the Rhine is being transformed into a suburb for the upwardly mobile. New buildings have been designed by international architects while others have been preserved, including a grain silo earmarked for a hotel and a brewery malthouse destined to incorporate a restaurant.

Out and about in Düsseldorf

Restaurants: Choose between the sophisticated, such as Im Schiffchen at Kaiserswerth, with three Michelin stars, and those in the revived docks, including An'ne Bell on Rotterdamer Strasse (one Michelin star, about DM130 a head with wine); the highly regarded Robert's Bistro (DM70 with wine); and Carl Maasen's Hafenrestaurant, (DM100 with wine – cheaper menu downstairs).

The brewery restaurants of the Altstadt, such as Im Goldenen Kessel, serve excellent regional dishes, accompanied by the dark "Alt" beer, for no more than about DM35 a head. Most take credit cards – but check first.

Hotels: The elegant Breidenbacher Hof (Heinrich Heine Allee – 0049 211 130 30), close to Königsallee and Altstadt, once opened its doors to Robert and Clara Schumann. Valet parking available underneath department store opposite. Single room rates from DM330-DM480, including breakfast, service and VAT.

In same price bracket: Steigenberger Parkotel, Nikko, Hilton and Villa Viktoria. Medium-range options: Radisson SAS and Dorint.

Transport: Taxi to main airport costs about DM20. But watch out if you're going to Düsseldorf-Express – a Mönchengladbach driver will charge about DM55, but a Düsseldorfer will charge about DM75 for the same service.

Conferences: The Congress Centre (0049 211 4560), next to the exhibition complex north of city centre, has 30 plenary and break-out rooms with individual seating capacity of up to 2,444. Contact Office for City Promotion and Economic Development (899 55 00) for guide to event venues.

Time off: The Kunstsammlung Nordrhein-Westfalen is a superb modern art gallery, particularly strong on Paul Klee, but with fine works by Matisse, Picasso, Chagall and others.

Visit the Kunstmuseum for its art nouveau glass collection, and the Stadtsmuseum for a fascinating glimpse into Düsseldorf's history.

Helps if you can read German. Most museums close Monday.

BUSINESS EDUCATION

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THE ARTS

OPENINGS

LONDON

At the Peacock Theatre fans of hip-hop will find the season of *Cool Heat Urban Beat* (left) replete with jazz dance, tap, rap, and every kind of physical extravagance. The season opens tomorrow and continues for three weeks.

The first new production of the 1998-9 season at English National Opera is Verdi's *Otello*, conducted by Paul Daniel and staged by David Freeman. David Rendall sings the title role, and the first night is on Friday at the Coliseum.

The final week of the Proms brings the Czech Philharmonic (*tonight and tomorrow*), the Bournemouth Symphony (Wednesday) and the Chamber Orchestra of Europe (on Friday) to the Royal Albert Hall. On

Saturday, Thomas Hampson becomes the first American soloist to sing at the Last Night concert.

Playwright David Hare makes *his acting debut this week at the* Royal Court Theatre Downstairs (Duke of York's), in a one-man play, *Via Dolorosa*, which he wrote after visiting Israel and Palestine last year. The director is Stephen Daldry and the first night is tomorrow. The third play by Sarah Kane, controversial author of *Blasted* and *Cleansed*, opens tomorrow at the Theatre Upstairs (Ambassadors). *Crave* is directed by Vicky Featherstone. The actors are Alan Williams, Sharon Duncan-Brewster, Ingrid Craigie and Paul Thomas Hickey (left). The production arrives from Edinburgh.

NEW YORK

New York City Opera opens its new season at State Theater on Thursday with *Tosca*, followed by Handel's *Partenope* on Friday. Both were staged during the summer at Glimmerglass Opera, the upstate New York company which has a production-sharing arrangement with City Opera.

SEATTLE

Benaroya Hall, the new home of the Seattle Symphony Orchestra, will be inaugurated on Friday at the start of a nine-day programme of festivities. The $118m hall, situated in a prominent downtown location, has a 2,500-seat main auditorium and a 540-seat recital hall.

AMSTERDAM

On Sunday the Stedelijk Museum presents a large-scale survey of American video artist Bill Viola. Organised in cooperation with the Whitney Museum of *American Art in* New York, the show includes 15 installations, 20 video tapes and a selection of sketches and notes. It runs until the end of November.

CARDIFF

Daniel Harding (above), the 22-year old conductor who was the toast of the Aix festival this summer, makes his UK operatic debut on Saturday in Welsh National Opera's new production of *Jenufa*. Katie Mitchell directs, and the cast is headed by Rosalind Sutherland and Suzanne Murphy.

Eye-opener: Kurosawa brought the brusque, linear, near-ideogrammatic immediacy of Japanese visual art to screen imagery — Reuters

OBITUARY AKIRA KUROSAWA

A giant of the movies

Nigel Andrews salutes a filmmaker who introduced Japanese cinema to the west

Akira Kurosawa, who died yesterday aged 88, almost singlehandedly made eastern cinema accessible to the west. Physically tall, even towering, he was also a giant of the movies.

His film output, ranging from intimate dramas such as *Ikiru*, *Dreams* and *Rhapsody In August* to influential action epics such as *The Seven Samurai*, *Yojimbo* and *Kagemusha*, had a dynamic range unsurpassed by any director in history.

When his 1950 masterpiece *Rashomon*, a film about the kaleidoscopic nature of memory, won the Venice Golden Lion in 1951 it opened western eyes to Japanese cinema and its heritage. Audiences were awakened not just to Kurosawa's work but to that of previously little-known directors such as Mizoguchi and Ozu, who quickly claimed their places in world cinema.

The western as well as the west responded to Kurosawa. Two of the genre's popular milestones, *The Magnificent Seven* and *A Fistful Of Dollars*, were drawn from his originals. A third film, Martin Ritt's *The Outrage*, was an almost scene-for-scene copy of *Rashomon*.

Kurosawa in turn enriched his art by borrowing from the west, notably from Shakespeare. *Throne Of Blood* is the best of all screen versions of *Macbeth*, a kinetic, brilliantly inventive transposition from feudal Scotland to samurai Japan.

And *Ran*, made late in the director's career after a further wave of recognition from leading Hollywood film-makers (Coppola, Spielberg, Scorsese) had rescued him from a career low-point, played unforgettable variations on *King Lear* in the shadow of a 16th century Mount Fuji.

The combined resurgence represented by *Ran* and *Kagemusha*, which won the 1980 Cannes Film Festival Palme d'Or, helped to restore Kurosawa's pride. Aged 61, he had attempted suicide by slashing his wrist with a razor, soon after the company he made prosperous with *Rashomon* went bankrupt. His decline had been synonymous, or at least synchronous, with that of Japanese cinema as a whole; though it speaks for Kurosawa's unique gifts that no compatriot was able to follow him in the brief, spectacular revitalisation of the costume drama that these two films embodied.

The youngest of seven children of a military officer who later became a gymnastics teacher, Kurosawa was born in Tokyo on March 23, 1910. The tensions between his background and boyhood leanings might be said to have shaped, or prefigured, his later dual-talent artistic career. A family descended from an old samurai clan and a childhood training in Kendo were the perfect pedigree for an action director. His own preference for reading – especially Shakespeare, Tolstoy and Dostoevsky – sharpened his interest in giving surface drama a strong psychological underpinning.

Fascinated by all branches of the arts, he flirted with painting before becoming an assistant film director in 1936. His younger brother Heijo, a silent-film narrator, fed his interest in cinema by giving him free passes to Japanese and foreign movies. He wrote and directed his own first film *Sugata Sanshiro (Judo Saga* in the west) in 1943.

The Kurosawa style, bringing the brusque, linear, near-ideogrammatic immediacy of Japanese visual art to screen imagery, was fully formed 12 years later with the appearance of *The Seven Samurai*. Even before that, with films such as *Those Who Tread On Tigers' Tails*, *Stray Dog*, *Rashomon* and *The Idiot*, he had mapped a fascination with the energising interrelation between inner and outer reality: between emotion and gesture, mood and landscape, social or historical crisis and large-scale action choreography.

His vision was at once universal and fiercely idiomatic.

He had an omnivorous eclecticism with all the virtues of post-modernism

Though he roamed into other arts or cultures for inspiration, he seldom roamed into them for work. His Russian co-venture *Derzu Uzala*, set in the Siberian wilderness, had a sombre dignity in its examination of the kinship between an explorer and his hunter-guide. But his Hollywood assignment, the war film *Tora! Tora! Tora!* about the Japanese attack on Pearl Harbour, was a disaster. He left – or was fired – after a disagreement over work methods, which in Kurosawa's case included forcing actors to salute their fictional superiors even offscreen. It seems no accident that his favourite star, who became an icon of his cinema, was Toshiro Mifune. The actor brought a military combination of discipline and panache to his action heroes. He pushed his performances to the brink of hyperbole just as Kurosawa pushed his action balletics, while remaining in physical and artistic command of every gesture. Opinion divides over whether Kurosawa's more introspective films have the conviction of his action or historical dramas. When reined back, his virile intelligence could turn towards sentimentality.

Ikiru (Living), made in 1952, won admirers for its intense portrait of a dying, disenchanted businessman seeking a last act of redemption. But his final film, *Madadayo*, a muted mood-piece about an aging university teacher, was a failure. And the earlier *Rhapsody In August* confronted the traumatic memory of Hiroshima by means of the dubious device of having a sympathetic American outsider (Richard Gere) wander through a sea of present-day Japanese opinions.

Even *Dreams*, Kurosawa's haunting 1980s compendium feature, finds its moments of greatness in the passages of daring nightmare expressionism – the walking world war corpses, the lurid, painted landscapes of the Van Gogh sequence – rather than in the scenes of pastoral utopianism.

The true Kurosawa heritage surely lies in the movies where the rich dynamism of his images speaks for the deeply-wrought turmoil of his heroes, heroines or historical moments.

It also lies in his readiness to draw on any country or culture to feed his art, an omnivorous eclecticism that has all the virtues of post-modernism with none of that movement's enfeebling frivolity.

Like all great directors, Kurosawa made filmmaking seem an adventure whose excitement was a seamless weave, all the way from the artist's first exploring insight to the audience's wonder at the final, delivered innovation.

EDINBURGH OPERA

Prague spring in a Scots summer

With no fewer than three new productions of *The Bartered Bride* to choose from over the next nine months, admirers of Smetana in the UK are not exactly being short-changed. But as Brian McMaster, Edinburgh's festival director, well knows, there's more to Smetana than *The Bartered Bride* – or the symphonic cycle *Ma Vlást*, a Czech Philharmonic performance of which brought the festival to an end on Saturday.

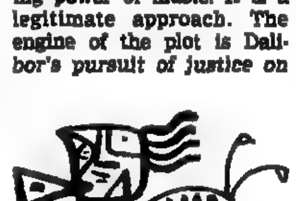
The final week included not just an exploration of Smetana's chamber music, but two little-known operas, *Dalibor* and *Libuše*. Exploring such works is what a festival should be for, and McMaster clearly wants the widest possible audience to share his enthusiasms. By engaging Scottish Opera for *Dalibor*, he has encouraged a UK company to take into its repertory a work which it would not dare to produce alone; and the BBC Scottish Symphony Orchestra's involvement in *Libuše* means Smetana's paean to the Czech nation will be broadcast on BBC Radio.

The value of the Edinburgh performances lay in testing the impact of these works outside the framework of nationalist pride and tradition with which they are indelibly associated. *Dalibor*, which the Prague National Theatre introduced to Edinburgh on its ground-breaking visit in 1964, came across surprisingly well at the Festival Theatre on Thursday.

David Pountney's spare, abstract staging gave pride of place to Smetana's stirring and often moving music, which Richard Armstrong conducted with Bohemian flair. Apart from Scottish Opera's revitalised chorus, the singing was unexceptional, but the cast – Czech and non-Czech – was gratifyingly homogeneous.

Despite all their valiant efforts, it quickly became clear why *Dalibor* failed to make headway during Smetana's lifetime, and why it remains so little performed today. Its dramaturgical focus is too narrow to allow much depth of interpretation, and the characters remain archetypes. The music may occasionally humanise them – Vladislav's Act 3 crisis of conscience is the best example – but it fails to develop them. What we are left with is a fairly standard rescue opera, echoing Wagner as much as Beethoven, while hinting at themes of social injustice.

These themes, aided by Smetana's unmistakable brand of melancholy lyricism, gave the opera its nationalist resonance in the Austro-Hungarian and Communist eras. To his credit, Pountney asks us to view it on much wider, universal terms: he sees *Dalibor* as a parable of the consoling, enlightening and transcending power of music. It is a legitimate approach. The engine of the plot is Dalibor's pursuit of justice on



behalf of his murdered friend, the musician Zdeněk, a goal to which his romantic association with Milada is entirely subsidiary. Under this scenario, Zdeněk assumes unexpected importance: he symbolises not just music itself, but the highest ideal of human love.

The point is driven home not just by Ralph Koltai's unit-set – a geometrically-shaped juxtaposition of harp and violin strings – but by the occasional presence on stage of solo musicians, highlighting the obbligato parts which evoke the unseen Zdeněk. It is a risky move, but Pountney gets away with it, largely thanks to Davy Cunningham's subtle lighting.

The processions would have benefited from a greater sense of space and ceremony – king and courtiers are confined to tiny balconies – and there are moments of unintentional comedy. I could also have done without some of Sue Wilmington's more fanciful costumes, such as the freedom-fighter outfits for the chorus in Act 2. On balance, however, this is a welcome addition to Pountney's Czech opera credits.

Leo Marian Vodička, the leading Czech Dalibor since Vilem Přibyl's retirement, sounded much more convincing than when I last heard him in the 1980s. The nasal timbre may be a matter of taste, but he has the stamina and the sensitivity, above all in an impressive dungeon aria. He also proved he can act the part if put through his paces by an intelligent director.

By contrast, Kathleen Broderick's Milada was disappointing – soubrettish in tone and kittenish in manner. It would have made greater sense to cast Vivian Tierney as the heroine: her lovely Jitka unassumingly dominated the stage, singing with an edge in her voluminous upper range which brought Rusalka and Janáček's tragic heroines to mind.

In smaller roles, it was a particular pleasure to hear the authentic Czech style of vocal acting from Jiří Kalendovský's gaoler, while Matthew Best's Vladislav conveyed the dilemmas of a weak-willed ruler. For the idiomatic contributions of orchestra and chorus we can thank Armstrong, whose fine ear for the rise and fall of the opera's emotional temperature was crucial to the production's success.

It was harder to judge the temperature of *Libuše* the following evening. A celebration of the mythical heroine who founded the Czech dynasty, the opera is rarely performed even in Prague, where its stately character and nationalist sentiments befit ceremonial occasions.

Until the velvet revolution, audiences often stood during the final scene, when Libuše prophesies that the Czech people will never perish. The ecstatic reception given to Friday's performance suggests the work can make an impact even when divorced from home territory and a stage setting.

But it did not change my view that Smetana's score has a made-to-measure quality which never quite rises to the occasion. Setting aside the solemn brass fanfares, Přemysl's pastoral idyll and Libuše's majestic apotheosis, we are left with a succession of run-of-the-mill tableaux, always promising more than they deliver.

The Edinburgh Festival Chorus (chorusmaster David Jones) did its best to convince us otherwise, and despite a loud and over-emphatic orchestra, Oliver von Dohnányi conducted with a sure sense of the music's shape and sweep. The Czech and Slovak cast was not uniformly convincing, but Eva Urbanová's Libuše made a radiant centrepiece.

Andrew Clark

INTERNATIONAL Arts Guide

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-675 4411
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Adams, Mahler and Sibelius. With mezzo-soprano Lorraine Hunt; Sep 8

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen; Sep 8, 12

BADEN-BADEN

CONCERT
Festspielhaus
Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Schoenberg and Mahler; Sep 9

BEIJING

OPERA
The Forbidden City
www.turandot-on-site.com
Turandot: by Puccini. Conducted by Zubin Mehta in a staging by Zhang Yimou. With the Maggio Musicale Fiorentino; Sep 7, 8, 9, *10, 11, 12, 13*

BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-212 3333
Czech Philharmonic: in a programme of works by Janácek, Beethoven and Dvorák; Sep 9

BRUSSELS

CONCERTS
Palais des Beaux Arts
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Berg and Mahler; Sep 7
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Schoenberg and Tchaikovsky; Sep 8

COLOGNE

CONCERT
Philharmonie
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Sibelius, Salonen and Stravinsky; Sep 10

FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Modernism – The Art of Design 1880-1940: wideranging display of works from the Norwest collection. Ranges from the British Arts and Crafts movement and Art Nouveau through the Bauhaus and Art Deco to the 1920s and 1930s; to Sep 13

FRANKFURT

CONCERTS
Alte Oper
Tel: 49-69-134 0400
● Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Salonen and Bruckner; Sep 12
● Radio Symphony Orchestra Frankfurt: conducted by Leonard Slatkin in works by Enescu, Barber and Schumann. With soprano Linda Hohenfeld; Sep 10, 11

OPERA
Oper Frankfurt
Tel: 49-69-21237 999
www.frankfurt-business.de/oper
● La Périchole: by Offenbach. Conducted by Catherine Rückwardt in a staging by Peter Eschberg, with designs by Peter Pabst; Sep 12
● La Traviata: by Verdi. In a staging by Axel Corti; Sep 11, 13

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC National Orchestra of Wales: conducted by Mark Elder in works by Stravinsky, Szymanowski, Debussy and Holst. With the BBC National Chorus of Wales and soprano Valdine Anderson; Sep 10
● *Bournemouth Symphony* Orchestra: conducted by Yakov Kreizberg in works by Glinka, Rachmaninov and Schmidt. With piano soloist Arkady Volodos; Sep 9
● Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in Beethoven's Missa Solemnis. With the Arnold Schoenberg Choir; Sep 11
● Czech Philharmonic: conducted by Charles Mackerras in works by Janáček and Mahler; Sep 7
● Czech Philharmonic: conducted by Libor Pešek in works by Dvořák, Szymanowski and Brahms. With violin soloist Raphael Oleg; Sep 8

EXHIBITION
British Museum
Tel: 44-171-636 1555
Persian and Indian Manuscripts and Paintings: the Royal Asiatic Society is celebrating its 175th anniversary with an exhibition of objects rarely seen by the public. The highlight is the Book of Kings made for Muhammad Juki, one of the great Persian manuscripts of the 15th century; to Sep 13

LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-226 4400
www.LucerneMusic.ch/
● BBC Symphony Orchestra: Andrew Davis conducts works by Ravel, Mozart, Walton and Elgar. With pianist Richard Goode; Sep 7
● Chicago Symphony Orchestra: Daniel Barenboim conducts works by Strauss, Berg and Tchaikovsky; Sep 11
● Leipzig Gewandhaus Orchestra: in works by Honegger and Bruckner. The conductor is Herbert Blomstedt; Sep 8

MADRID

EXHIBITION
Fundació la Caixa
Tel: 34-1-435 4833
Lucio Fontana (1899-1968): Retrospective of the Italian pioneer of conceptual and multimedia art; to Sep 13

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Rafael Frühbeck de Burgos in a programme inlcuding works by Manuel de Falla, Rimski/Korsakov and Ravel; Sep 9, 10, 11

NEW YORK

EXHIBITION
Guggenheim Museum
Tel: 1-212-423 3500
www.guggenheim.org
Vilhelm Hammershoi (1864-1916): Danish Painter of Solitude and Light. Retrospective seen in Copenhagen and Paris last year, comprising 60 works by this relatively unknown contemporary of Munch; to Sep 7

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Partenope: by Handel. Directed by Francisco Negrin and conducted by George Manahan. Lisa Saffer sings the title role; Sep 11
● Tosca: by Puccini. A new production by Mark Lamos, opening the Opera's 1998-1999 season. George Manahan conducts and the cast includes Isabelle Kabatu, Anotonio Nagare and Mark Delavan; produced in association with Glimmerglass Opera; Sep 10, 13

SAN FRANCISCO

EXHIBITION
San Francisco Museum of Modern Art
www.sfmoma.org
Alexander Calder (1898-1976): around 250 works, among them some of the best examples of Calder's formally innovative sculpture. Alongside the mobiles and stabiles are selected paintings and jewellery; to Dec 1

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● NHK Symphony Orchestra: conducted by Chung Myung-Whun in works by Messiaen, Schechedrin and Tchaikovsky. With violin soloist Maxim Vengerov; Sep 10
● Yomiuri Nippon Symphony Orchestra: conducted by Gilbert Varga in works by Ravel, Bartok and Tchaikovsky; Sep 11

EXHIBITION
Metropolitan Museum of Photography
Tel: 81-3-3280 0031
Eugène Atget Retrospective: An Intimate View of Paris at the Turn of the Century. Around 200 works by the documentary photographer; to Nov 4

TURIN

CONCERT
Lingotto Fiera
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Schoenberg and Bruckner; Sep 7

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Mardi Gras, then Lent

Chrystia Freeland examines the drastic economic measures now being considered in Russia: a spending spree, followed by a currency board

Stolid and inarticulate, Victor Chernomyrdin, Russia's acting prime minister, is not given to radical change. But this week, in the riskiest decision of his political career, Russia's arch-traditionalist has thrown his weight behind one of the most extreme economic decisions a politician can take: he is pushing for the introduction of a currency board-style system, a rigid form of financial discipline and surrender of monetary sovereignty.

Mr Chernomyrdin's astonishing conversion to the most rigorous of free-market faiths is a measure of Russia's economic desperation. Over the past three weeks, most of the hard-won achievements of seven years of market reforms have been swept away by a financial crisis that has stripped the rouble of two-thirds of its value, pushed monthly inflation up to 15 per cent and paralysed the banking system.

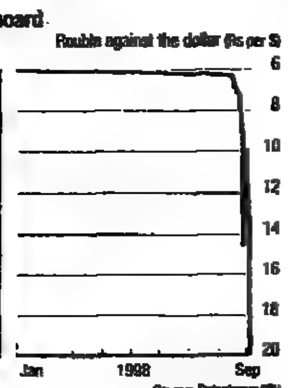
As the crisis deepens, Mr Chernomyrdin, guided by his economic first lieutenant, Boris Fyodorov, appears to have concluded that only the radical policy of last resort a currency board can save Russia from utter economic collapse.

It is a bold decision, but it is probably merely the beginning of a turbulent policy debate. Western economists not to mention Russia's Communists are far from convinced that such bitter medicine is appropriate for Russia's diseased economy. And even if Mr Chernomyrdin's plan is the right therapy, it will be a Herculean task to persuade Russia's weary people, and its kleptocratic political establishment, that now is the time for another painful round of economic reform.

But that is what Mr Chernomyrdin and Mr Fyodorov are trying to do. The heart of their programme is the creation of a currency board-style monetary system for Russia, a regime under which every rouble in circulation would be backed by a set amount of hard currency and precious metal reserves.

Russia: a case for a currency board

Boris Fyodorov



Source: Datastream/ICV

The great virtue of a currency board system is that it can restore confidence in a currency whose stock has plunged as faith in the national government has eroded. To enhance this feature, the Russian government is proposing to hold at least some of its reserves abroad, perhaps in Germany.

This would help insulate the monetary regime from fears about the trustworthiness of Moscow apparatchiks. It might also help persuade the Group of Seven industrialised nations, which have grown weary of watching their aid migrate to Swiss bank accounts, to bankroll Russia's reform efforts one more time.

The rigid discipline of a currency board what Mr Chernomyrdin described as "an economic dictatorship" in a speech to parliament last week would be introduced on January 1. But before imposing the penance of that monetary Lent, the government is proposing a sort of economic Mardi Gras. Over the next few weeks, Mr Chernomyrdin is calling for a "controlled" spending spree, in which the government would print some Rbs37bn (about $2bn) and use the money to pay off wage and pension arrears and perhaps restore some liquidity to the banking system.

The political logic behind this last inflationary indulgence is compelling it might, at least before the rouble completely lost its value, win the support of the workers who received their unpaid wages. Government advisers also hope that printing money now would soften public opinion for the introduction of a currency board in January, by creating a wave of hyperinflation which Russians would be desperate to stop, by whatever means.

But if Russia does introduce a currency board, it would be renouncing further recourse to the printing presses. That means the government would need to take extreme measures to boost tax collection.

The Chernomyrdin-Fyodorov plan envisions a radical overhaul of the tax system, offering a conditional forgiveness of old tax debts in exchange for timely payment of current taxes. The tax system would be simplified and the tax burden reduced, but, at the same time, enforcement would become more stringent with late or non-paying companies facing nationalisation.

In countries like Estonia, Bulgaria or Argentina, a similar approach has helped discredited governments curb hyperinflation, restore faith in the national currency, and lay the groundwork for economic revival. But many economists question whether the currency board system will work for Russia.

One concern is the high interest rates the currency board regime would likely impose on the country, at least at the outset. Another problem would be the risk of a crisis in the banking system: under a currency board approach the central bank would no longer be able to act as the lender of last resort. Other critics have also questioned whether the rigidity of a currency board is structurally appropriate for Russia, whose economy is heavily dependent on the export of commodities and is thus vulnerable to the external shock of changing commodities prices.

But the biggest question is whether the Russian government which has hardly earned a reputation for sound economic management will have the political discipline to impose the deprivations of a currency board, and to stick with them, after a few months of free-spending.

"The plan is feasible," says Par Mellstrom, an economist at Brunswick Warburg, a Moscow investment bank. "The problem is political will. The currency board is a straitjacket, but the Russian government has a history of finding ways of getting out of a self-imposed straitjacket."

To make things worse, today Russia does not have a government at all. Before he can begin refining and implementing his economic ideas, Mr Chernomyrdin must win parliamentary approval, where he faces a hostile Communist faction and the shadowy threat of Yuri Luzhkov, the mayor of Moscow who covets the prime minister's job.

There is some way to go before Russia summons the unity and discipline required for radical financial stabilisation. But as he strives to lead this quixotic revolution, Mr Chernomyrdin can at least take comfort from history. In the midst of the Bolshevik revolution, a time even more troubled than today, John Maynard Keynes helped the Whites to set up a currency board, the sterling-backed "English rouble", in the northern port of Murmansk. It worked, until political opposition, in the form of Bolshevik armies, swept it away.

LETTERS TO THE EDITOR

View of currency board weaknesses is not shared by Argentina

From Mr Andrew Powell.

Sir, The "Unpalatable truths of a currency board" (August 31), which discusses whether a currency board is appropriate for Russia, contains some truths but also some often repeated misconceptions.

As pointed out, a currency board does indeed reduce monetary and fiscal discretion. Monetary policy must always be subservient and therefore consistent with the fixed exchange rate, and fiscal policy must be consistent with the availability of non-inflationary financing. However, it is simply incorrect to claim that (1) a currency board implies that there is no lender of last resort and that (2) banks need to have greater capital ratios or other regulations need to be stronger.

First, it is perfectly possible to have a central bank acting as a liquidity lender of last resort under a currency board as shown by the experience of Argentina in 1995, and all a currency board implies is that any "loser of last resort" must be transparently fiscal in nature and not financed through the inflation tax. That this may affect the political feasibility of bailing out some financial institutions is another advantage, not a disadvantage, of a currency board system.

Second, given the greater underlying economic volatility, there is a strong argument that emerging markets need stricter banking sector regulations than their G10 counterparts whatever monetary policy rule is adopted. Indeed, a case might be made that given the reduction in economic volatility and lower interest rates that accompany the adoption of a successful currency board, less strict banking regulations might be required relative to a country with similar characteristics but with a different monetary policy – although I hasten to add that this is not practised in Argentina, where banking regulations are substantially more exacting than international norms.

Whether a currency board is appropriate for Russia is a complex and essentially political question that deserves much deeper analysis. The economic desirability of a currency board is in part determined by the trade-off between the advantages of a discretionary monetary policy versus the risk, for whatever motive, of the misuse of that discretion. It seems odd, however, given that Italy, Spain, Portugal and Ireland – to name but four participants – are about to give up virtually all monetary and substantial fiscal discretion, that it is considered that this trade-off for an emerging country like Russia may go the other way. Perhaps the issue is really the feasibility of the maintenance of the currency board, rather than its desirability.

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Asian route to international experience

From Dr C. W. Watson.

Sir, James Harding ("When expats should pack their bags", September 1) on the problems faced by multinationals with respect to "localisation" in China raised important issues. There do, however, seem to me, on the basis of experience in south-east Asia, to be two specific problems which multinationals have not yet fully appreciated and which need to be addressed.

The first is the question of providing the opportunity for Asian professionals to acquire that international experience which apparently gives white expatriates the edge when they are in competition for senior management jobs. The second is how to avoid the impression that, within the local operations of a company, there is a division between white expatriate senior staff (with the occasional token Asian) and local junior staff, a situation which is the cause of a great deal of ill-feeling.

As Mr Harding points out, there are no easy solutions, but one strategy infrequently followed is to encourage more mobility of Asian middle-management within the region itself. Thus Thais should be encouraged to work in Singapore, Malaysians in China, Chinese in the Philippines. This would provide opportunities for acquiring international experience, and at the same time would mitigate the insidious white/non-white tensions that often mar company relations.

As for the difficulties faced by the expatriate, white or non-white, with respect to local languages and customs, a lot more could be done but it would require more commitment than most companies seem at present willing to undertake.

C. W. Watson,
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Small print cannot let UK off nuclear hook

From Dr Helen Wallace.

Sir, Nuclear reprocessing will not find a future in the small print of the agreement made at Sintra in July ("State-owned company increases role in US nuclear reprocessing industry", August 29/30).

It is not radioactive discharges from Sellafield that must be cut to "close to zero" by 2020, but their resulting concentrations in the environment. Many radioactive substances discharged from Sellafield remain dangerous for far longer than 20 years – these discharges must stop now if the agreement is to be met.

BNFL may wish to wriggle out of it, but in January 1999 the UK must tell the 15 other governments which signed the Sintra declaration how it plans to make "substantial reductions or elimination" of radioactive discharges by 2000.

These governments all know that turning off Sellafield's reprocessing plants and dry storing its spent nuclear fuel instead would stop the discharges. There's no question this is "technically feasible" – BNFL even markets its own dry stores overseas.

Deputy prime minister John Prescott went to Sintra to shed Britain's tag as "Dirty Man of Europe". Does BNFL really expect him to re-define the small print to let it off the hook? Countries such as Ireland, Iceland, Norway, Sweden and Denmark have said "no" to Sellafield's nuclear pollution of their shores. They will be watching.

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ECONOMICS NOTEBOOK ROBERT CHOTE

Victims of 'groupthink'

Studies have shown that groups make better decisions but perform less effectively. What does this imply for the behaviour of central bank monetary policy committees?

With financial markets around the world in turmoil, it would be reassuring to know there was a safe hand on the economic tiller at home. In many countries interest rates are set by central bank committees, and not all their members necessarily pull in the same direction. In the UK, when the Bank of England's monetary policy committee navigates its course for interest rates this week, there will be nine hands on the tiller.

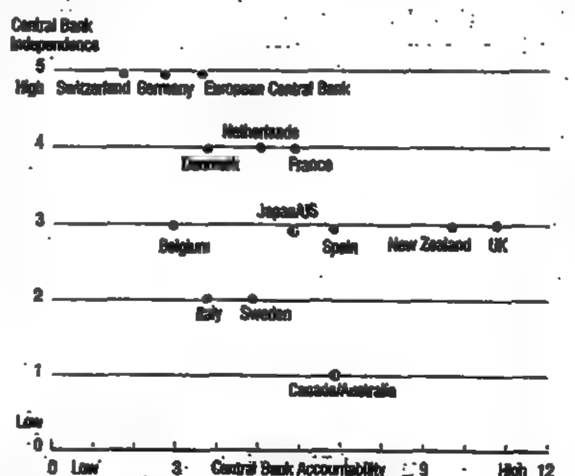
Is this cause for concern? Social psychologists have long debated which take better decisions: groups or individuals. Are two heads better than one, or do too many cooks spoil the broth? As these conflicting adages imply, they have failed to reach a clear-cut answer.

Nonetheless, economists should pay more attention to the implications of group decision-making in trying to understand how monetary policy operates. Committees behave differently from individuals. And one committee will behave differently from another, depending on the rules, informal norms and personalities involved.

Evaluating the "quality" of decision-making is fraught with difficulty because laboratory experiments in social psychology are necessarily somewhat artificial. But the consensus that emerges from several studies is that groups make better decisions than their average member would have done in isolation. However, they perform less effectively than the attributes of all their members imply: they are less than the sum of their parts.

In the early 1970s the academic Irving Janis carried out a pioneering analysis of group decision-making by looking at a series of US foreign policy decisions from 1940 onwards. He concluded that when the outcome was poor – the attempted invasion of Cuba at the Bay of Pigs in 1961, and the bombing of North Vietnam in 1965, for example – the decision-making process had been marked by undesirable features that he labelled "groupthink":

Bank of England held to account



Source: 'Accountability of Central Banks: Aspects and Quantification' by Eijffinger S & de Haan J (1996)

- The decision-makers formed a highly cohesive group that put pressure on internal dissenters to conform to the consensus view.
- The group developed an illusion of unanimity and correctness which in turn fostered a reluctance to evaluate alternative policies.
- The group negatively stereotyped outsiders who disagreed with its views.
- The group was almost always dominated by a highly directive leader.

These characteristics are not unheard of in the marble committee rooms of the world's central banks. The consensus-seeking behaviour they promote is aggravated by other characteristics that differentiate central bank committees from other groups, such as juries or public inquiries.

First, the membership of central bank committees changes relatively slowly. This allows time for informal norms of behaviour to develop and for a cohesive "insider" culture to develop.

Second, a committee setting interest rates is essentially taking the same decision repeatedly. The body of information on which decisions are based may change relatively little between meetings. This means an individual committee member may be reluctant to alter his or her opinion in the face of changing circumstances – it might give the impression that they have simply conceded the superiority of someone else's argument.

Combined with the innate caution of all career central bankers, these characteristics mean that monetary policy committees may respond sluggishly to changing economic events. As Alan Blinder, former vice-chairman of the US Federal Reserve, has argued: "Decision-making by committee may contribute to systematic policy errors by inducing the central bank to maintain its policy stance too long."

This may in turn help explain why independent central banks – many of which make policy by committee – preside over deeper recessions and reduce inflation at greater cost to jobs and incomes than those subservient to politicians.

The Bank of England fell victim to sluggishness and inertia in the early months of its independence last year. It raised interest rates too slowly in the face of strong domestic demand, although its job was made more difficult by the government's failure to impose a bigger increase in consumer taxes.

Does this imply that the monetary policy committee will be equally tardy in reducing interest rates to a neutral position as economic activity weakens, thereby exacerbating the looming downturn? Not necessarily.

Since the spring of this year the behaviour of the committee has changed remarkably. After months of unanimity, almost every decision has been disputed, and on two occasions Eddie George, the governor, has been forced to use his casting vote to break a deadlock.

The committee's critics have been appalled. They accuse it of incoherence, unpredictability and a lack of leadership. They lament the fact the policy is in the hands of unworldly academics with no sense of collective responsibility. Maybe so, but this is a price well worth paying to avoid the damaging inertia that results from a consensus-seeking culture.

But why has the monetary policy committee developed a culture so much more tolerant of dissent than that of other central banks? One reason is that the committee members – career central bankers and outside academics alike – have a clearly quantified inflation target and are held *individually* to account for the policies they recommend to hit it.

The monetary policy process in the UK is also highly transparent, with votes published in detailed minutes of the monthly meetings. Committee members cannot hide behind a consensus view. The same should be true of the Fed, where votes are also recorded publicly. But as Prof Blinder has observed: "There is a tradition that dissent is a huge deal." This reflects the fact that Fed chairmen hold enormous informal sway over committee members, one of the elements of "groupthink". Few of Mr George's colleagues, in contrast, are burdened by any sense of inferiority.

This analysis of group decision-making contains good and bad news for Gordon Brown, the chancellor. It suggests that the Bank of England may avoid some of the mistakes of other independent central banks, but it also highlights a danger in his desire to join Europe's single currency.

The European Central Bank is more independent than the UK's, but less transparent and more insistent on collective responsibility. Its interest rate setting will suffer as a result.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday September 7 1998

Mr Greenspan's warning

Alan Greenspan, chairman of the Federal Reserve, keeps his cards close to his chest. But his observation in a speech last Friday that the US cannot "remain an oasis of prosperity unaffected by a world that is experiencing greatly increased stress" sounded a salutary warning. It is obvious that the US cannot escape the crisis in world financial markets unscathed. The significance of Mr Greenspan's words is the shift they signal in the Fed's thinking.

This is welcome. In July, Mr Greenspan told Congress that domestically generated inflation was a greater threat to the economy than the fallout from Asia's troubles. But the world has changed since then. Asia's financial turmoil has precipitated a crisis in emerging markets. Russia has collapsed. But the greatest threat to the US economy is contagion in Latin America. The US's southern neighbours buy 40 per cent of US exports, and receive a significant chunk of US lending.

Emerging markets are not the only threat. Canada, the destination for 30 per cent of US exports, has been buffeted by falling commodity prices; Japan, the US's second biggest trading partner, remains mired in recession. Mr Greenspan made clear in his speech that the Fed is moving from its bias towards higher interest rates to a more neutral stance. A cut in interest rates is unlikely when the Fed meets later this month. Despite continuing low inflation, the cautious Mr Greenspan remains concerned about the effects of very low unemployment and robust wage growth. Moreover, he went out of his way on Friday to rule out a shift in the Fed's monetary stance in response to a stock market lurch.

He was right to do so. When Mr Greenspan warned in December 1996 about "irrational exuberance" in the equities market, the Dow Jones Industrial Average stood at 6,400. It closed on Friday, at 7,640 – despite a sharp fall from its July peak. On Friday, he once more warned that optimistic corporate earnings forecasts were "unlikely to materialise".

If markets were to stabilise before the onset of a true bear market, this would be seen as a welcome correction. Investors must be under no illusion: markets go down as well as up and it is not the job of the central bank to react to every turn. Mr Greenspan held fire on the way up. He will be reluctant to bail them out now. His task is a more difficult one: to assess the effect on the real economy. With US savings so low, and consumption sustained in good part by stock market gains, a continuing slump on Wall Street will slow growth as well as inflation. If this proves to be a correction, the Fed's task will become easier. But Mr Greenspan's speech shows he is thinking of darker possibilities which would require prompt and decisive action.

Trade dangers

As financial contagion threatens to spread across the world, increasing the temptation for governments to resort to national capital controls and market intervention, globalisation is fast becoming a bogeyman. If the turmoil persists, could free trade become its next victim? The probability, for the moment, seems low. But do not bet too heavily on it staying that way.

The absence so far of any revival of protectionist pressures is a rare bright spot in the world economy, particularly in the US, and to a lesser extent the European Union, the world's biggest markets. So far, they have tolerated sharp rises in imports from and falls in exports to troubled Asian economies.

Their benevolence owes much to still buoyant growth in the US, and recovery in Europe. Furthermore, Asia's higher export volumes have been masked by currency devaluations. But a sharp economic slowdown in the west would severely test its powers of self-restraint.

The danger of wholesale retreat into protectionism is reduced by the World Trade Organisation's much-strengthened authority to enforce its rules. Members have respected it, because not doing so could fatally weaken the multilateral system. None, fortunately, seems ready deliberately to risk that. But the system is not a complete safeguard against new trade barriers.

It cannot, for instance, stop developing countries raising many tariffs sharply. But the biggest current threat is of an increase in anti-dumping actions. Although permitted by the WTO, these are often arbitrary and prone to abuse. If the US and EU, traditionally anti-dumping's main exponents, began deploying it to choke off cheap imports, they would not only jeopardise poorer countries' recoveries; they could trigger a ruinous spiral of international retaliation.

That need not happen. As Renato Ruggiero, the WTO's head, argues, the surest way to keep global markets open is to press ahead with further liberalisation. By fortunate coincidence, the WTO is committed to negotiations in the next two years on freeing trade in agriculture and services. This may develop into a full-scale trade round.

Several years might be needed to reach agreements, and longer still for their economic benefits to be felt. But simply launching negotiations could underpin the political commitment to free trade, because governments are less likely to succumb to protectionism while focusing on liberalisation. Meanwhile, the challenge for all of them especially in rich countries is to continue to avoid trade measures which could turn global economic jitters into something much worse.

Korean threat

It is difficult to know whether to believe North Korea's assertion that it was launching a satellite rather than conducting a missile test last week. Although its claim indicates a desire to mend fences, the deliberate aura of mystery surrounding the episode, and recent signs that it is reviving its own nuclear programme, show that Pyongyang is playing an exceptionally dangerous game.

Its timing was typically calculated for maximum effect. President Clinton has other things on his mind. Japan's weak government is grappling with an economic and banking crisis. Neither country has much energy to devote to North Korea. Yet they cannot ignore it without putting world peace in jeopardy.

The nuclear deal of 1994 has been at risk of unravelling for some time. North Korea then froze its nuclear programme in return for safe nuclear reactors, to be installed by a consortium led by the US, Japan and South Korea. The consortium also promised to supply North Korea with heavy fuel oil while the nuclear plant was installed, but the Clinton administration has been unable to raise from Congress the modest funds needed for the oil. As a result, North Korea can rightly claim that Washington has broken its word on an international agreement. Even so, Pyongyang's recent behaviour is a crude attempt to blackmail the outside world into giving it more money.

The US and its allies now confront the dreadful possibility that public opposition in Japan and the US to the nuclear deal may finally kill it. North Korea would then develop its own nuclear and missile technology, threatening South Korea and perhaps raising hard currency by selling nuclear weapons.

There is no way of avoiding this outcome without making some concessions to Pyongyang. The task is to ensure that North Korea gives enough in return to get the 1994 deal back on track. Retribution is not an option. Given the volatility in the region, the US cannot strike back as it did in Sudan and Afghanistan.

Two elements would help. One is a greater involvement of other countries, notably those of the European Union and China, in finding a way out of the impasse and preventing Pyongyang from launching more missiles.

The other is insistence on the principle that any extra money which North Korea receives must come with conditions designed gently to open up and stabilise its economy, thereby reducing the source of some of the tension.

A deal which offered that as well as a verifiable commitment to abandon fresh nuclear ventures might be saleable. This is a problem which the world ignores at its peril.

The cracks begin to show

As the economic crisis in Asia deepens, Peter Montagnon considers the political and social unrest that could be unleashed

"As things stand in September 1998, the possibility of a serious military eruption or shock in Asia cannot be discounted."

A year ago such a statement, from Jean-Pierre Lehmann, professor of international economy at the Swiss Asia Foundation in Lausanne, would have been greeted with derision. Even now, Prof Lehmann points out that he is not actually forecasting war in Asia as a result of the region's intractable and deep recession. He claims only that the probability has increased.

But the fact that he and other Asian experts are now prepared to countenance the possibility is a disturbing reminder of how the dimensions of the Asian crisis are changing. From being a purely financial matter, it is now eating into the region's social and political fabric in ways that may make the basic economic problem harder to solve.

Prof Lehmann is not alone. So deep have the problems become that the main question is now one of political risk, says Hung Tran, the Vietnamese-born chief economist of Rabobank International and a banker with wide experience of Asia. "The analysis is no longer financial."

Behind the gloom is the realisation that the sheer scale of the economic downturn makes lasting social and political consequences inevitable. In Thailand, the middle classes – with their high expectations manifest in newly acquired golfing skills and chattering mobile phones – are being wiped out by the recession. Others countries, such as Indonesia and the Philippines, face an excruciating increase in poverty, which adds to the risk of social disorder.

The raw figures are stark. Indonesia's economy is expected to contract by more than 15 per cent this year, Thailand's by 7 or 8 per cent, and South Korea's by about 5 per cent. Malaysia and Hong Kong have both reported sharply negative growth in the first half.

Even the most stable political regimes would have difficulty coping with such unprecedented and protracted collapse, but in Asia, where democratic traditions are weak and the legitimacy of governments is often connected to their ability to deliver affluence, the pressures are particularly high.

The crisis has already seen the violent removal of President Suharto in Indonesia. Last week it was Malaysia's turn for political turmoil, with the dismissal of Anwar Ibrahim, deputy prime minister and finance minister. Even in China, the position of Zhu Rongji, the prime minister, is "fragile" as he gambles on his ability to maintain growth and pursue economic reform, says Prof Lehmann.

Hong Kong's leaders must be worrying about their own political authority as they struggle to maintain the territory's currency peg. Were it to go, leading figures, including Donald Tsang, financial secretary, and Joseph Yam, Hong Kong Monetary Authority chief, would have to resign. It is far from clear what sort of people China would choose to replace them.

Political analysts say it is still very difficult to predict exactly how the new social and political pressures will spill over in individual countries. But many now argue that the risk of backlash against the west, of internal crisis, or even, as Prof Lehmann suggests, conflict between nations has increased markedly across the region.

Malaysia's decision last week to impose strict exchange controls and peg its currency at M$3.80 to the dollar marks a pointed rejection of the western approach to dealing with the economic crisis. Followed as it was by the dismissal of Mr Ibrahim, the move revealed the extent of strains within Malaysia's political system as the crisis deepened.

> **'Government has a huge problem. The instinct in a lot of countries is going to be repressive'**

Until now there has been a surprising lack of hostility towards the west. Many Asians have been more inclined to blame their own governments for the disaster that has befallen them. Particularly in Indonesia, the International Monetary Fund played to the emotions of the people as it insisted on the unwinding of cronyism and the removal of privileges from Mr Suharto's hated family and friends.

Many countries have become more open to foreign investment than before. The type of public patriotic clamour that in July forced Microsoft to withdraw plans to take a stake in Hangul & Computer, the Korean language software company, has been relatively rare, even in a country as notoriously suspicious of foreigners as South Korea.

Similarly, most Asian governments have distanced themselves from the robust denunciation of western markets by Mahathir Mohamad, Malaysia's prime minister. But Malaysia's exchange controls, coupled with Hong Kong's intervention in its equity market, marks a retreat by increasingly desperate governments from free markets which, bankers believe, could find imitators.

"Other countries will start to see the cost-benefit of being integrated with world markets in a different light," says Mr Tran. "In the next six to 12 months people will try that option."

Mr Tran is not optimistic about the ability of governments to make the institutional changes necessary to repair their economies and restore growth. As deflationary forces spread, the recession will deepen, he says. "That will call into question the legitimacy of governments and raise the issue of whether or not the pain is being shared."

The threat of disorder is not confined to Indonesia. Already there have been violent scuffles outside the presidential palace in Manila as voters, who elected their new president Joseph Estrada on an anti-poverty ticket, vent their frustration at his failure to take care of their needs.

"Ethnic and social tensions in general will be on the rise. It's inevitable," says Bruce Gale of the Political and Economic Risk Consultancy in Singapore. The impact will vary from country to country, though, as will the response of governments.

Asia's elite is likely to disappear and be replaced by another, says Mr Gale, as old-guard politicians are forced to withdraw and the businessmen who supported them lose their money and their clout. Governments have changed in Thailand and South Korea as a result of elections, upsetting the old network of relationships between government and business.

> **'You are talking about haystacks which could go up in flames at any time'**

Quite how this will play out in the political structures is another matter. Analysts argue that South Korea and Taiwan, where democracy is most deeply entrenched, stand a better chance of handling the strain. Thailand, also a democracy, is bound by the national sense of reverence for its monarchy, which is likely to remain as long as its king survives.

In Indonesia, the initial political consequence of the crisis has been one of liberation after years of dictatorship. "The middle class is discovering a new sense of empowerment that they didn't enjoy for the past 40 years," says Tommy Koh, executive director of the Asia-Europe foundation in Singapore.

But whether this benign phase will last is questionable. In Indonesia the transition from the Suharto regime is only half complete, and other countries are under pressure too. "Government has a huge problem. The instinct in a lot of these countries is going to be repressive," says Gavin Greenwood, analyst with Control Risks, a London-based firm.

From this perspective, Malaysia gave a taste of what could be to come. Not only has Dr Mahathir moved ruthlessly to remove Mr Ibrahim, his principal opponent, from government. There have also been other signs of a crackdown with the jailing of Lim Guan Eng, a prominent opposition figure, and the arrest of four people for spreading false rumours on the internet about demonstrations in the capital, Kuala Lumpur.

And it is in Malaysia, too, that worries about international tensions are surfacing as its relations with neighbouring Singapore sink to their lowest ebb in years, prompting an explosion of popular nationalist fervour on both sides of the Johore Strait. Nationalism and xenophobia are obvious responses to the crisis, says Mr Greenwood. "All the old points of friction, which were obscured by prosperity, have now been exposed."

Similarly worrying is China's protest to Indonesia about atrocities, including cases of gang rape, looting and arson against ethnic Chinese during the riots there in May. China took a long time to respond, but it did so after an intensive – and sometimes graphic – campaign on the internet.

Experienced Asian diplomats such as Singapore's Mr Koh believe that governments should be able to contain these pressures. Some even argue that nationalism provides a useful safety valve that can help stabilise the internal political situation. But a growing worry is that as the legitimacy of governments is threatened by their inability to overcome the recession they will resort more freely to nationalism and find it harder to control the forces they unleash.

Moreover, pressure is also coming from unexpected quarters. North Korea's latest missile test came without warning and requires a particularly cool response, analysts say. But the shock comes at a time when governments have many other things on their minds. "You're talking about haystacks which could go up in flames at any time," says Prof Lehmann.

Again he is careful to point out that this nightmare is only one among several scenarios. The rosy version is that economic and financial adjustment programmes eventually pay off and pave the way for a resumption of sustainable growth. But this is receding in terms of likelihood, while the prospect of a retreat from civil society and greater international tension is increasing.

Even those who argue against exaggeration know there is a limit to Asia's tolerance of hardship. "Governments can't keep the lid on these pressures for ever," says Mr Koh. "There has to be a credible prospect that the economy will turn the corner. If not, how long can people be expected to keep making sacrifices?"

OBSERVER

The truth is out there

What is going on at Japan's Economic Planning Agency? The outfit once famous for its relentlessly upbeat descriptions of the economy – until this summer it refused to admit that activity might be slowing at all – has come over all pessimistic.

This week the EPA is due to declare that the outlook is now worse than "very severe". New minister in charge Taichi Sakaiya has spared no metaphor, saying that Japan is in a "dark valley", "on a bleak stage" and "in dangerous waters which need dauntless navigation". To add insult to injury, he has also hinted that the EPA might have fiddled some of its past economic assessments.

Sakaiya himself must take credit for the outbreak of realism. The 63-year-old civil servant-turned-novelist was forced to leave the trade and industry ministry in the 1970s after writing a best-seller about social panic created by an oil crisis. Since then he's been a writer, establishment critic and general policy expert.

But not everyone in Tokyo is taking Sakaiya's comments at face value. Some reckon he's deliberately fuelling a sense of crisis to encourage the government to do more. Others say he's fostering a sense of gloom to ensure everyone will be pleasantly surprised this autumn.

Strange how few people believe the most encouraging theory of all: that Japan's government has finally realised the value of telling it straight.

Black watch

Conrad Black knows more about Napoleon than Josephine ever cared to. Now the media general has taken his military history fixation an expensive step further: Black is donating $1.5m to help build barracks for the London-based International Institute for Strategic Studies.

The gift is a coup for IISS director John Chipman, who says he worked on Black for two years before clinching the deal last week. It may have helped that Chipman was a Canadian, like Black, before taking British citizenship – and that the institute has a strong North American membership.

The intriguing question is whether the IISS, which gained a reputation for impartiality and objectivity during the Cold War, will now accommodate Black's distinctive pro-Israeli and anti-European Union views? No, says the IISS. But its new library will bear Black's name.

Hello Herman

After 12 years running Utrecht-based Rabobank, Herman Wijffels is heading for The Hague. Next March he becomes chairman of the Social and Economic Council (SER), a government advisory body comprising employers, unions and crown-appointed worthies. In the consensus-minded Netherlands, the job carries some cachet.

Tipped to succeed him is Hans Smits, who has just joined the Rabobank board after a bumpy ride at Schiphol airport; battles over noise restrictions got in the way of his aim to privatise the Amsterdam hub. Smits will want to make his mark on Rabobank, although many in the co-operative's rural heartland don't want much to change.

Under Wijffels, though, Rabobank was anything but sleepy. Insurer Achmea is the latest addition to the group, giving Rabo a large slice of the worker disability and sickness cover the government is passing to the private sector.

Food for thought for Klaas de Vries, the new social affairs and employment minister. It's his chair at the SER which Wijffels inherits.

Afterburn

Britain's Farnborough Airshow is one of the highlights of the global aerospace calendar. And it always generates enough hot air to power a squadron of fast jets. This year Lord Simpson, who runs the UK's GEC, reckons "every chief executive will be talking to every other chief executive" about defence industry restructuring. The civil fly-boys are still gassing about Boeing losing out to Airbus over *that* British Airways order.

Seattle's finest are pretty sore and no mistake. Boeing supporters are speculating in private that Airbus is stuffed with so much government subsidy that it can afford to charge next to nothing for its planes. The word from Toulouse, meanwhile, is that their price was actually *higher* than Boeing's, but the Airbus is so much cheaper to run that BA found it more economical anyway.

BA is keeping mum – except to observe that if Boeing and Airbus really know how much the other side bid, there must be something fishy going on.

Rings a bell

As President Clinton wraps up his Irish escapade, you've got to feel for Joe Lockhart, the hapless White House press secretary designate who overslept last week and missed his Air Force One flight out of Moscow.

Lockhart can count Irish rock stars U2 among his fans after word of the episode got out. But he couldn't help boasting on a flight from Dublin to Shannon that "the President didn't find out". Just then Clinton turned up in the back of the plane and presented him with a special gift: a green plastic alarm clock adorned by a leprechaun.

The Financial Times

100 years ago

Locusts in Argentina
We ventured to point out last year that there was a possibility of the Argentine wheat crop being injured by locusts, and thereby excited much mirth in the minds of many astute observers who have gained an intimate knowledge of Argentine agricultural conditions from a close study of the streets and pavements of the City of London. These will doubtless be glad to learn that their estimates of Argentina's exportable surplus from that crop were about as nearly correct as usual. If our memory serves, they placed it at about 1,500,000 tons. Up to date Argentina has exported about 700,000 tons, and most authorities think little, if any, more will come out.

50 years ago

Disorders in Berlin
Berlin, Sept. 6. The four military governors of Germany met for the sixth time to-night after a day of disorders in which Communist demonstrators stormed the City Assembly, broke up its meeting, and drove the councillors from the Soviet to the British sector.

FINANCIAL TIMES
MONDAY SEPTEMBER 7 1998

THE LEX COLUMN

Red Sky, Rupert's delight

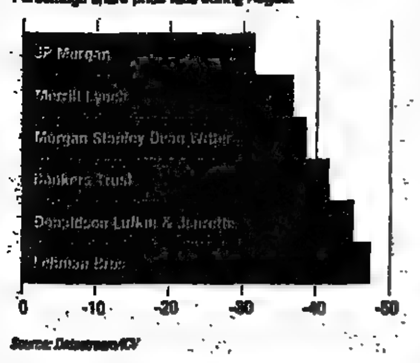
Better the Red Devils you know than, well, any other UK Premier League football club. The clubs are BSkyB's life blood, and none is as successful as Manchester United.

But a potential bid for Man United raises two questions. The first is competition. Man United would give BSkyB a lever in negotiating Premier League television rights. For now, its voice would be one in 20, not a veto. Neither could BSkyB force-feed Man United matches to viewers at the expense of other clubs, under Premier League rules: But what if the Premier League stops negotiating collectively? BSkyB, which dominates UK pay-TV, could use Man United as a draw to attract other top clubs into exclusive deals. This could hurt weaker clubs.

An undermined Premier League need not necessarily limit competition. With clubs free to strike their own deals, more rights could be auctioned and more media groups enter the fray. But a combination of Rupert Murdoch, football and media is controversial. An airing of the concerns through the MMC cannot be ruled out.

A separate question is why Man United feels the need to sell out now. Sure, BSkyB's formidable marketing machine should improve the club's international following and make a success of new channels. But Man United could agree new deals individually, sharing in the revenue. Furthermore, any bid premium now risks understating future benefits from a European Super League or pay-per-view.

US banks
Percentage share price falls during August



Source: Datastream/ICV

Russia

Victor Chernomyrdin's soap-box call for "economic dictatorship" bodes ill for Russian capitalism. With the rouble devalued by two-thirds, inflation is rampant. Since August's 15 per cent price rise implies annualised inflation of more than 400 per cent it is hardly surprising that the rouble cannot find its floor. Re-dollarisation of the economy is in full spate as the printing presses start whirring to bail out well-connected banks and pay off the government's wage arrears.

The aspiring prime minister's central confidence-restoring idea – a currency board that backs the domestic money supply with foreign exchange – is fine in principle. But the preconditions for its success do not exist.

First, there is neither political consensus on abdicating monetary authority nor appreciation of the hardships that reform by automatic pilot will entail. If reform was unacceptable from within, it will be all the more so when imported. And since the government will find it tough to borrow on alienated capital markets, there will be (probably irresistible) pressure on the central bank to override the currency board and print roubles anyway as social tensions mount.

The imaginative idea of depositing hard currency reserves with another central bank, such as Germany's, will only bolster the scheme's credibility if there is strict policing of money printing. The proposed forfeit if Russia breaches the currency board's rules – confiscation of foreign-held foreign reserves – does not seem plausible given the risk of international diplomatic fall-out.

Second, to set up a currency board when banks are neither restructured nor adequately regulated is folly. Not only will the central bank cease to be able to act as a lender of last resort to the banking system in a crisis, which means that the failure of one bank could topple the system; but tax collection – which fell well short of targets in August – will also continue to suffer from banking turmoil, putting government finances under further pressure. The proposed tax amnesty will not address this problem.

And third, the central bank does not have the reserves to set one up in the first place. Covering notes and coins, as well as deposits at the central bank, would require some $25-30bn. Since central bank reserves total only $13bn, Russia must borrow $10-15bn from the IMF/G7. Until and unless the first two conditions are met, the G7 would be crazy to put a cent into backing such a currency board.

Investment banking

Investment banks are being rocked by global financial turmoil. Share prices of big US houses have fallen between 30 per cent and 50 per cent since end-July. Multiples have come tumbling down so that even Merrill Lynch, the most highly valued, is trading on only 13 times last year's earnings. Lehman Brothers manages a multiple of only eight.

Is this derating overdone? Probably not, given that three separate factors are at work. One – the string of losses investment banks are revealing in Russia and other emerging markets – is the least important. In most cases, the hits are 1 per cent to 2 per cent of market capitalisation. More worryingly, the crisis has reminded investors that investment banking is risky. Earnings are not of as good quality as, say, those of a typical industrial company. And the current turmoil has a twist to it: managing risk is doubly tricky when countries default and slap on capital controls. What might have seemed an effective hedging strategy can easily come unstuck.

The third depressing factor is that the bull market may be over. If so, the flows of business in M&A and underwriting may not regain the frenzied levels seen in the first half of this year for many a moon. Add to that the fact that future profit opportunities in proprietary trading and emerging markets will be slim. True, there will still be areas of growth – probably in Europe in preparation for the single currency, perhaps in Japan as a result of "big bang". But with investment banks staffed for peak levels of activity, there will not be enough business.

The upshot is likely to be retrenchment if not an outright bloodbath. Life will get particularly tough for investment banks stuck in the muddled middle. For the premier league, there could be a silver lining: less upward pressure on compensation now and less competition for business when good times return.

Liffe seeks ally to bolster position in derivatives

Deutsche Börse in talks aimed at expanding rival Eurex alliance

By Vincent Boland in London and Graham Bowley in Frankfurt

The battle for supremacy in the European derivatives industry has intensified with Europe's two leading rival exchanges revealing they are seeking further alliances to strengthen their positions.

The London International Financial Futures and Options Exchange (Liffe) is in talks with the London Clearing House, which settles contracts traded on the City's derivatives and commodities markets, on forming a closer relationship that could include a merger.

Separately, Deutsche Börse, Germany's stock exchange, said it was in talks with other European exchanges to expand its Eurex alliance, which links the Frankfurt and Swiss derivatives markets, in a bid to overtake Liffe as Europe's most important market for derivatives products.

The Italian stock exchange is understood to be a prime candidate for membership of Eurex. Scandinavian and Dutch derivatives markets are also being courted by the German-Swiss alliance.

Both developments are significant steps in the consolidation and competition of Europe's derivatives markets ahead of the introduction of the euro next year. Rivalry between Liffe and the Deutsche Terminbörse, the derivatives market in Frankfurt, has already led to sweeping personnel and policy changes at the struggling London market, including abandoning floor trading in favour of a screen-based system.

In the US last week, Cantor Fitzgerald, the biggest broker in US government securities, received approval for the first electronic exchange to trade futures contracts in US treasury bonds. The move represents a challenge to the Chicago Board of Trade and Chicago Mercantile Exchange, bastions of "open outcry" floor trading in the US.

Liffe's talks with the LCH follow the appointment of Brian Williamson as the market's new chairman in a bid to stem its loss of market share to the DTB. Mr Williamson indicated no option was ruled out.

A spokeswoman insisted yesterday the talks with LCH were part of a strategic review Liffe was undertaking. The LCH could not be reached for comment.

Deutsche Börse's announcement underlines its determination to see DTB dominate Europe's derivatives trading. Werner Seifert, chief executive, said: "We are talking to other organisations at the moment about entry to Eurex and about entry to our London-Frankfurt alliance."

In July, the London and Frankfurt stock markets agreed to set up a pan-European equity trading platform. That appears to have set back separate talks between Eurex and Matif, France's derivatives exchange, to form an alliance.

An announcement on the future of the Milan derivatives markets is expected to be made before any decision is taken on whether the Borsa Italiana will join the London/Frankfurt equity market alliance or a rival plan being touted by the Paris markets.

See Lex

Democrats distance themselves from Clinton despite apology

By Mark Suzman in Washington

Leading Democrats yesterday continued to distance themselves from an embattled President Bill Clinton amid growing indications that his public apology over the Monica Lewinsky scandal was not sufficient to ward off the threat of impeachment hearings.

Daniel Patrick Moynihan, a respected Democratic senator from New York, warned there could be no final resolution of the matter until Congress had decided whether the report being prepared by Kenneth Starr, the independent counsel investigating Mr Clinton, merited the president's removal from office.

"We have a crisis of the regime," Mr Moynihan said. "What we have before us – and we ought to get on with it – is an impeachment procedure."

His comments came shortly after Parris Glendening, the governor of Maryland and a strong supporter of Mr Clinton in the past, became the first senior Democrat to cancel a scheduled fundraiser with the president for fear it would damage his own re-election chances in November.

Both moves are a blow to the White House, which had hoped Mr Clinton's public expression of remorse at a press briefing in Ireland last Friday would help shore up dwindling support. After Joseph Lieberman, the Connecticut senator, last week condemned the president's behaviour as "immoral", Mr Clinton for the first time said he was "very sorry" about his relationship with Ms Lewinsky, a former White House worker.

However, Mr Lieberman said yesterday: "There's no way for us and the president to get back to face the problems of the country – the uncertainty economically, the problems in the world – unless we open up the discussion of the president's misconduct." He also said he did not believe perjury about a sexual affair was sufficient grounds for impeachment. But in separate interviews, Mr Moynihan and Trent Lott, senate majority leader, disagreed. "It is an impeachable offence," Mr Moynihan said. "It does not follow that the Senate will vote for impeachment, however."

In his report, expected by the end of the month, Mr Starr is almost certain to charge Mr Clinton with perjury for having denied under oath having a sexual relationship with Ms Lewinsky. Mr Starr is also expected to make other charges, including obstruction of justice and subornation of perjury for having allegedly sought to persuade Ms Lewinsky to cover up their affair.

However, Mr Lott said there was little point in speculating about what might constitute grounds for impeachment until Congress had received Mr Starr's report.

Observer, Page 13

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Ayatollah Ali Khamenei: denied yesterday Iran was planning a military confrontation with Afghanistan's Taliban forces. Page 4 Picture: Reuters

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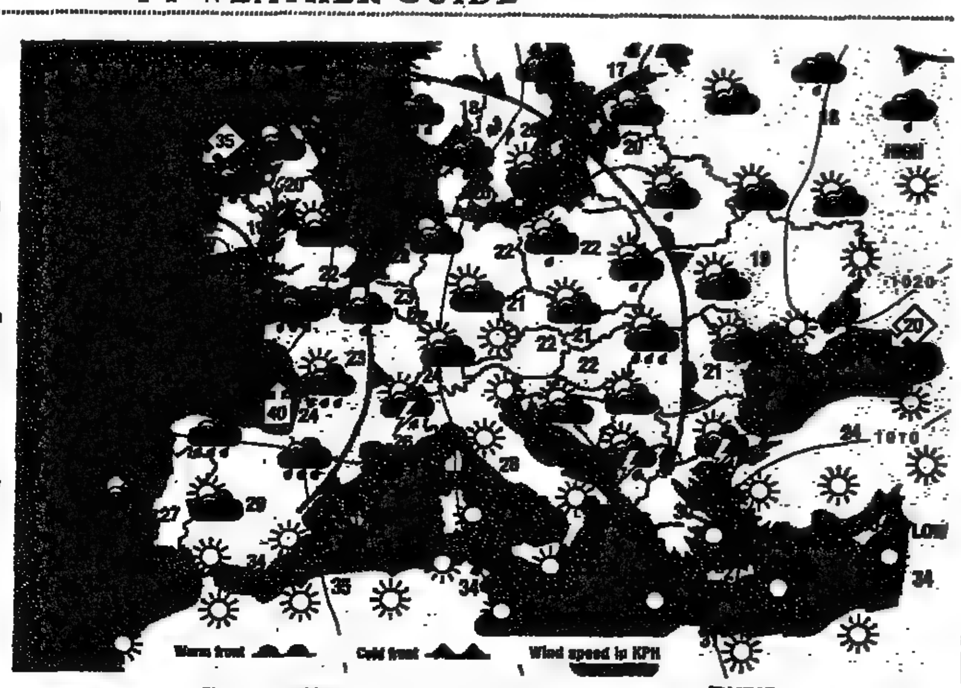
FT WEATHER GUIDE

Europe today

A lingering front will produce rain and showers from southern Scandinavia to the Black Sea. Showers will turn thundery over Romania and Bulgaria. Northern Scandinavia will be largely dry with sunny spells. The Baltic states and western Russia will be mainly fine, but cloud and showers will threaten western areas during the day. Central Europe will remain fine with warm sunshine, but frontal systems will sweep across western Europe bringing heavy showers and thundery rain.

Five-day forecast

North-western Europe will remain breezy and unsettled, with spells of rain and drier, sunnier interludes. It will briefly turn cooler on Thursday and Friday. Elsewhere in Europe will remain largely fine and settled, although thunderstorms will drift from the Alps to Greece during the middle of the week.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	43
Accra	Cloudy	29
Algiers	Sun	35
Amsterdam	Shower	22
Athens	Sun	30
Atlanta	Fair	36
B. Aires	Fair	20
B.ham	Shower	21
Bangkok	Thunder	33
Barcelona	Shower	29
Beijing	Fair	30
Belfast	Shower	19
Belgrade	Fair	25
Berlin	Shower	23
Bermuda	Fair	30
Bogota	Cloudy	19
Bombay	Thunder	32
Brussels	Shower	23
Budapest	Shower	27
C.hagen	Fair	20
Cairo	Sun	38
Caracas	Fair	32
Cardiff	Rain	20
Casablanca	Fair	25
Chicago	Fair	23
Cologne	Fair	24
Dakar	Fair	31
Dallas	Sun	35
Delhi	Fair	29
Dubai	Sun	41
Dublin	Rain	19
Dubrovnik	Sun	28
Edinburgh	Shower	20
Faro	Fair	28
Frankfurt	Fair	23
Geneva	Thunder	24
Gibraltar	Sun	30
Glasgow	Shower	20
Hamburg	Shower	22
Helsinki	Fair	17
Hong Kong	Fair	31
Honolulu	Cloudy	32
Istanbul	Fair	28
Jakarta	Fair	33
Jersey	Rain	20
Johannesburg	Fair	25
Karachi	Sun	36
Kuwait	Sun	43
L. Angeles	Fair	28
Las Palmas	Sun	28
Lima	Cloudy	19
Lisbon	Fair	27
London	Shower	22
Lux.bourg	Shower	22
Lyon	Thunder	24
Madeira	Fair	27
Madrid	Fair	29
Majorca	Sun	30
Malta	Sun	30
Manchester	Shower	21
Manila	Thunder	34
Melbourne	Shower	15
Mexico City	Cloudy	26
Miami	Thunder	33
Milan	Fair	27
Montreal	Shower	20
Moscow	Fair	18
Munich	Fair	23
Nairobi	Cloudy	25
Naples	Sun	30
Nassau	Fair	32
New York	Thunder	30
Nice	Thunder	26
Nicosia	Sun	30
Oslo	Rain	18
Paris	Shower	23
Perth	Fair	22
Prague	Fair	21
Rangoon	Cloudy	30
Reykjavik	Cloudy	13
Rio	Cloudy	25
Rome	Sun	28
S. Frsco	Fair	26
Seoul	Fair	29
Singapore	Shower	31
Stockholm	Rain	20
Strasbourg	Shower	24
Sydney	Fair	19
Tangier	Fair	25
Tel Aviv	Sun	34
Tokyo	Rain	28
Toronto	Fair	21
Vancouver	Shower	20
Venice	Sun	26
Vienna	Fair	22
Warsaw	Fair	22
Washington	Thunder	33
Wellington	Shower	13
Winnipeg	Sun	17
Zurich	Fair	22

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FINANCIAL TIMES

COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1998 MONDAY SEPTEMBER 7 1998 Week 37

INSIDE

Kvaerner chief faces battle to justify confidence of board

Erik Tonseth (left), Kvaerner's chief executive officer and president, faces one of the biggest challenges of his 10-year reign at the Anglo-Norwegian engineering and shipbuilding empire. He has seen Kvaerner market capitalisation on the Oslo bourse halved. If he is to justify the confidence of the board, he must deliver on the promise to become debt-free by 2000. Page 18

Latin America gets dose of reality

Investors have recently been prepared to separate Latin American risk from the turmoil affecting emerging markets elsewhere. But that has changed. The contagion sparked by Russia's default and ensuing political crisis has hit Latin America, scaring away even the hardiest investors. International Bonds, Page 20

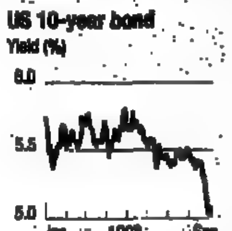
Malaysia controls create problems

Malaysia's retreat from free markets last week created problems for investors. The imposition of capital and currency controls has locked investors into a market from which many would like to retreat. Emerging Markets, Page 21

Avesta Sheffield boss vows change

Avesta Sheffield, the Anglo-Swedish stainless steel group that is 51 per cent owned by British Steel, has struggled to grow its profits for six years. Stuart Pettifor, appointed chief executive a year ago to turn the business round, says that is about to change. Market Movers, Page 18

Rush to US bonds may continue



The US Treasury market is likely to be driven again by stock price movements when the US markets reopen on Tuesday. Further turmoil in world stock markets could prolong the rush by investors for the safe haven of the US bond market. Among key economic data due this week are August consumer credit figures and the August producer price index. Markets Week, Page 22

Europe's rates seem to diverge

The trend in short-term interest rates among countries taking part in European economic and monetary union has been towards divergence. Some analysts say that could reflect a belief that full short-rate convergence will not happen by the year's end. Euro Prices, Page 25

Disposal gain to lift First Pacific

Analysts said the huge exceptional gain for First Pacific, the Hong Kong conglomerate, from the sale of a 39.7 per cent stake in Hagemeyer would radically change the outlook for the company's operations. Companies Diary, Page 22

FT GUIDE TO THE WEEK

– full listings Page 34

TRUCK TROUBLE
French truck drivers are due to begin another series of strikes and blockades on roads across the continent on Tuesday. They are protesting against changes in working conditions and may be joined by Spanish drivers.

BATCHELOR PARTY
Anchorage, Alaska, opens its doors on Friday to the single women of America who are invited to meet Alaska's most eligible batchelors at the fifth annual National Singles Convention.

BOSNIANS VOTE
Bosnian general elections are held on Saturday, supervised by the Organisation for Security and Co-operation in Europe, together with votes for assemblies in Bosnia's two post-war autonomous regions.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

DUTCH TELECOMS OPERATOR EXPECTS PROFITS TO FALL 33% AFTER REGULATOR DEMANDS CUTS IN CALL CHARGES

Ruling casts shadow over KPN

By Gordon Cramb in Amsterdam

KPN, the privatised Dutch telecoms operator, has called its own future into question after the national industry regulator demanded cuts in its call charges.

"The continuity of the company is at issue," said Wim Dik, chairman. KPN expected operating profits would fall by about a third, or some Fl 1.1bn ($550m). It would have to curb investment in its network, and its standing in the capital markets would be seriously damaged.

Shares in KPN lost 17.4 per cent last week as fears grew about the likely impact of the ruling, which was announced in outline on Friday. Opta, the country's year-old telecoms watchdog, is this week to produce a 55-page report arguing that tariffs the group imposed on customers generated excessive returns.

The upheaval comes just two months after KPN spun off its mail and parcel activities as TNT Post Group. Revenues from that business had cushioned the company as the Fl15bn Dutch telephony market was liberalised. But management wanted to create a "pure" telecoms operation to make it easier for investors to compare it with quoted counterparts elsewhere.

Denouncing the ruling as "a disaster", Mr Dik said KPN's net return on invested capital, at 14 per cent, was already below the 18 per cent European average. Under Opta's requirements, to which the company must respond within four weeks, it would sink to 9 per cent.

Opta wants charges for local calls to come down by about a quarter from the beginning of next year. Long-distance calling within the Netherlands needed to become between a quarter and a third cheaper over the next three years, it said. Its view was based on the cost of capital to the company and the relatively low risks involved in those segments of its business.

KPN would be granted more freedom to offer discounts, particularly on international calls.

But it could no longer provide broad-band ISDN lines – one of its fastest growing products – at below cost.

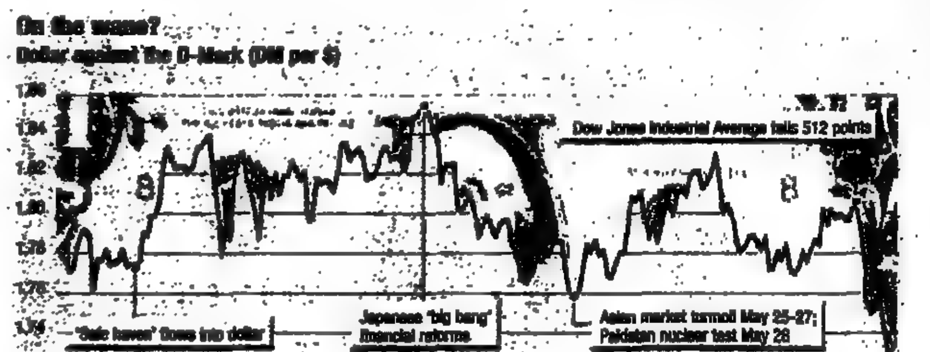
Jens Arnbak, Opta chairman, said the ruling would benefit not only consumers but also those competitors to KPN which had invested in their own network in the country.

Chief among those is British Telecommunications of the UK, which has a joint venture with the Dutch state railways.

KPN last week reported interim net profits of Fl1.01bn, up 3.5 per cent. The shares, at Fl71.30 ex an 80 cent dividend, were Fl2.70 down on Friday and stand 28 per cent below their mid-July peak.

Dollar slides as US begins to feel the heat

Developing link to equity markets has helped provoke a sharp fall against the D-Mark



By Richard Adams in London

The strong US dollar – a feature of global markets for the past three years – may finally be on the wane against European currencies.

The dollar has benefited from investors looking for a safe haven from market turmoil in Asia and Russia. But with Alan Greenspan, the Federal Reserve chairman, now warning that the US cannot "remain an oasis of prosperity", the chances of a US interest rate cut have increased.

"I think it probably is the end of the big rally upwards in the dollar," said Bronwyn Curtis, chief economist at Nomura International investment bank in London. "I think people are now looking at the world impact on the United States."

For most of the period since 1995, the dollar has been strong against the D-Mark and other European currencies. It reached a high of DM1.86 at the end of last year, and fell 10 pfennigs before recovering to above DM1.83 this year.

But in recent days, the dollar has lurched downwards. Last week the dollar slipped by eight pfennigs to its lowest level against the D-Mark this year, to below DM1.72.

"In the short term, there will still be some safe-haven buying of the dollar. But there are more negative factors weighing on it," said Tony Norfield, global head of treasury research at ABN Amro bank.

The fall was sparked by what currency analysts call "technical factors" – too many people who had bought dollars suddenly wanted to unload them. Other short-term factors included the desire by Japanese institutions to cash in their dollar assets and exchange them for yen. US hedge funds have been selling assets to cover margin calls and losses abroad.

The dollar has also developed a link to the US equity market. It is usually closely tied to the market for US government bonds, or Treasuries. But Mr Norfield said the past year has seen big inflows into US equities from abroad.

"Wobbles in the equity market are going to make a lot of overseas investors sick," Mr Norfield said, especially those already sitting on substantial emerging market losses.

"It does indicate a far greater exposure of the dollar to equities than previously," he said.

Further equity weakness would reinforce the flight out of the dollar. At the same time, the market has sharply increased its estimate of a likely US rate cut. The futures market has priced in a 0.5 per cent cut in the Federal Funds rate by May next year.

Signs of a slowdown in the US, and a recovery in Germany, will shift the tide in favour of the D-Mark. That in itself may be good news, as a weaker dollar takes some of the pressure off the emerging market currencies.

A weaker dollar also helps to bring forward a recovery in commodity prices – which are largely denominated in dollars – boosting the currencies of Latin America as well as South Africa, Australia and Canada.

Currencies, Page 24

Old Mutual set to buy regional UK stockbroker

By Jean Eaglesham in London

Old Mutual, the South African life assurance group, is set to increase its expansion into the UK by acquiring Albert E Sharp, a big firm of regional stockbrokers. Executives close to the deal, which it is understood has not yet been signed, said the price tag was "considerably higher" than a reported £40m ($67m).

The deal is part of an aggressive expansion strategy by Old Mutual, which paid £80m for Capel Cure Myers, another UK stockbroker, last December. But the company's increasing links with the UK are proving controversial.

Old Mutual was fiercely criticised by the Congress of South African Trade Unions in June, when it emerged that the group might seek a listing on the London Stock Exchange after it demutualises next year. This would free it from South African exchange controls (which restrict the proportion of assets it can invest overseas), and help it to attract international shareholders.

But the unions fear the move is part of a trend that could trigger a flight of capital out of South Africa. Gencor has already moved its non-precious metals interests to London through Billiton and a number of other companies are keen to follow suit. Last week, South African Breweries said it was considering moving its primary stock exchange listing from Johannesburg to London.

The purchase of Albert E Sharp is part of a wider pattern of consolidation within the UK broking sector. The number of firms in the traditional market of dealing with advice dropped from 82 at the end of 1992 to 58 at the end of last year, according to research company ComPeer.

The trend towards consolidation is being driven by a combination of increasing information technology costs, tougher regulatory pressures and competition from new entrants, such as US investment banks.

Old Mutual's purchase ends a difficult 12 months for Albert E Sharp, which outsourced its settlement business and sacked 120 staff at its head office. It is not clear what effect the deal will have on jobs, or whether Old Mutual will decide to retain both the Sharp and the Capel Cure Myers brand names.

PHILIP COGGAN
GLOBAL INVESTOR

New hope for old values

Isaac Newton has been proved wrong for the past few years, in stock market terms at least. What goes up has not come down; momentum investing has been a highly successful strategy.

It is, of course, a gross oversimplification to divide the world into "value" investors, who believe in buying stocks that have fallen in price, and "growth" – or momentum – investors, who buy stocks that have gone up.

The growth camp has generally had the best of it in recent years. Many of the market's best performers have been shares that would not fit easily into a value portfolio; either "new Nifty Fifty" multinationals, such as Coca-Cola, trading on aggressive price-earnings multiples or internet companies, often showing no earnings at all.

Value investors have been cast adrift. Old valuation standbys seem to have been abandoned. Who cares about dividend yields when companies are making share buy-backs, and dividends are seen as tax-inefficient? Who bothers about asset values in an economy dominated by the service sector? The kind of companies thrown up by value measures – engineers and other cyclical industrials – have struggled in the face of global competition.

The same rules have applied to asset allocation. UK institutional investors have been underweight in the US market for years on the grounds that Wall Street was overvalued and must start to fall. Until July, New York defied the sceptics and kept going up. Those who saw recovery plays in Japan, at virtually any time over the past five years, or Asia, at the start of this year, have been disappointed.

But the tide could finally be turning. Some of the stocks that have been among the most heavily battered in the correction since world markets peaked in mid-July, have been the momentum investors' favourites.

If one looks at the S&P Composite in the US, the 20 best performers between the start of 1995 and the market peak in mid-July included the likes of Dell Computer, Microsoft and Travelers. By August 3, those 20 stocks had dropped by an average of 21 per cent, compared with a 16.5 per cent fall in the index itself. The top performers of 1998's first half have also lagged behind the index.

One problem with both the momentum and the growth schools is that the price of failure for individual stocks is high. Once a stock starts to fall, it loses its momentum attractions; the trend followers start to desert it, forcing the price down further and creating a downwards spiral. Similarly for growth stocks, the penalty for earnings disappointment can be savage; not only do estimates for future earnings decline but the rating attached to those earnings falls sharply.

In the UK, the two best performing sectors since the market peaked on July 20 have been water and electricity, which traded on price-earnings ratios of just 11 and 15 before the correction. The worst, oil exploration, traded on an aggressive p/e of 33.

But for the tide to turn decisively in favour of the value school, small companies may need to snap out of their slump. The Russell 2000 in the US and the FTSE SmallCap index have both fallen more than 25 per cent since their spring peaks.

Value investing is not synonymous with small-stock investing. But the S&P 500 and the FTSE 100 index now stand at significant p/e premiums to their respective markets thanks to the strength of the multinationals, momentum stocks and the growth of index funds. Hence, value is more likely to be found among the minnows. In the current climate, where events in emerging markets have persuaded investors to avoid as much risk as possible, it will be hard for smaller stocks to rebound. Blue chips will appear the safest option.

Value investors may have to concentrate on the more defensive giants. But at least they know the growth and momentum stocks will be taking a hammering. That should even the score a bit.

Oddly enough, one of the most exhaustive investment surveys, by Jim O'Shaughnessy, who studied the US market for 40 years, found both methods can be successful. So there is hope for everyone.

KPMG follows rivals with advert campaign

By Jim Kelly, Accountancy Correspondent

KPMG, the global professional services organisation, will today launch a $60m a year advertising campaign - the latest of the so-called Big Five firms to pour millions of dollars into brand building.

Andersen Consulting, the sister firm of Arthur Andersen, started the trend by pledging $100m on a brand building campaign, throwing down a challenge to a sector banned from advertising until the late 1980s.

Ernst & Young last month unveiled its own $100m campaign and the rest of the sector is poised to join them with PWC, the firm recently formed in a merger, expected to set a new benchmark on spending later this year.

KPMG's campaign is being developed by Lowe & Partners/SMS of New York and co-ordinated by the organisation's international network. In framing the campaign, KPMG conducted 250 interviews with members of the so-called "C Suite" – chief executive officers, chief financial officers, and other senior executives at Fortune 1000 companies.

"They expressed concern about the information overload and confusion of advice they received," said David Thorley, KPMG's international marketing director. As a result the brand campaign will have the tag line: "It's time for clarity."

The campaign seeks to play on the anxiety of senior executives at the pace of change in business – especially in IT – and on the perception that professional firms have in the past effectively charged their clients for jargon.

For all the Big Five and the management consultancy businesses which they have spawned, global brand building is critical as they try to change from networks of national firms into global organisations able to deliver consistent service to multinational companies.

KPMG – which lagged behind the rest in global integration and suffered a damaging failed merger with Ernst & Young – is now seen to be catching up fast. The campaign will include print, television and airport advertising as well as literature for its own staff and partners.

INTERNET COMMERCE 'DIGIBOXES' TO PROTECT CONTENT PROVIDERS' COPYRIGHT WHILE 'ELECTRONIC PURSES' OFFER FLEXIBLE PAYMENT

NatWest links with US technology group

By Christopher Brown-Humes

National Westminster Bank will this week unveil a strategic alliance with a US technology group in a move which significantly increases its ambitions in the fast-growing electronic commerce market.

The bank claims its link up with InterTrust Technologies of California, will make e-commerce over the internet more secure.

It says companies offering music, publishing, software, education and other services will be able to place their work on the net with greater protection against piracy or illegal use.

"We are very confident this is going to be a success. It could become like the 'Intel Inside' logo on PCs," said John Paddick, commercial development director of NatWest Card Services.

According to one estimate, the value of inter-company services traded over the internet is expected to grow from $8bn in 1997 to $327bn in 2002 in the US alone.

The new service combines InterTrust's technology with NatWest's expertise in payment services.

NatWest says a system of secure containers – or Digiboxes – will give content providers greater control over the information they put on the net. The software helps protect their copyright, and allows them to set the conditions and price at which the boxes are accessed.

It also makes it possible, subject to data protection laws, for suppliers to gain more information about who is buying their products and how they are being used than is generally possible at the moment.

Users, meanwhile, will be able to pre-load an electronic purse, and buy items on the net without needing authorisation for each transaction. They will also gain additional for pay-per-use and pay-per-view.

There will be no "minimum spend" and payment will be possible in one or two currencies. In due course, customers will gain multi-currency payment options and may be able to make purchases on credit.

Trials of the service will take place this autumn, with the global launch expected early next year.

Mr Paddick said: "The development of electronic commerce over the internet has been inhibited by concerns over integrity, security and control. This solves all three," he added. The bank's investment in the scheme runs into millions of pounds, but is not thought to exceed £10m.

Victor Shear, chief executive and founder of InterTrust, said: "We are very happy with our strategic alliance with NatWest, because of their worldwide presence, technology leadership and expertise in facilitating global, multi-currency commerce."

Two weeks ago NatWest unveiled another innovative product - an information service called Zenda. NatWest staff will act as a one-stop shop sifting guidebooks, directories, listings and the internet to find information customers want.

Results to help Billiton rebuild image with City

By Kenneth Gooding, Mining Correspondent

Billiton, the metals and mining group that has been the worst performing share in the FTSE 100 Index this year, can start rebuilding its image today, when it reports its first full-year results since listing in London last July.

Investors who contributed nearly £1bn when the company was spun off from Gencor of South Africa, already have two heartening news items to mull over.

Brian Gilbertson, who has been widely criticised – he insists unfairly – for being Billiton's "absentee chairman," by spending too much time in Johannesburg with other companies, announced on Thursday that he is to give up the chairmanships of both Gencor and Gold Fields, the South African gold mining group, to concentrate entirely on Billiton.

This closely followed Billiton's withdrawal from the $1.5bn auction for Venezuela's aluminium complex, CVG. Billiton, and the other two members of the only consortium left in the bidding, blamed the state of the world economy and global financial markets, saying this made it impossible to prepare an offer.

Many analysts believed there were substantial long-term benefits if Billiton, already the world's fifth largest aluminium group, had been able to take a stake in CVG. "But the market didn't like the idea because of the potential short-term effects," said Russell Skirrow at Merrill Lynch.

Billiton still has to deal with the disappointment felt by some analysts and investors that it has not yet put its $3bn war chest to work by making a substantial acquisition. "The knock-out corporate acquisition expected by the City has failed to materialise, and for some critics this calls into question the need for the group's flotation in the first place," said one broker.

Billiton has indicated its net profit for the year to June 30 will be more than $445m. Analysts expect a rise of at least 30 per cent from the previous year's $335m, and forecasts range between $464m and $493m. "They might also pull something out of the hat, such as a one-off $100m foreign exchange gain," suggested Mr Skirrow.

Trusts face All-Share ejection

By Jean Eaglesham

The market value of a number of emerging markets and Asian investment trusts has shrunk so much in recent weeks that they are likely to be thrown out of the FTSE All-Share index when it is reviewed in December, broker Credit Lyonnais Laing has warned.

This would force tracking funds, which aim to mimic the index, to sell the shares, sending the trusts' share prices down further.

The trusts which Laings highlights include funds from big-name managers, and include Fidelity Asian, Fleming Asian, Henderson Far East Income, Invesco Asia and Schroder Far East. All now have a market capitalisation below £58m – the hypothetical cut-off point for the All-Share, based on August 28 share prices.

The average emerging markets investment trust is now on a discount of about 30 per cent following falls, since mid-July, of about a third in the net asset value and more than 40 per cent in the share price.

The sharp falls in fund sizes means some trusts now have high costs. While the management fee varies in line with net assets, additional expenses such as legal and custody fees are being charged against a much smaller asset base.

Trusts highlighted by Laings as being particularly expensive include the tiny Edinburgh Java, where total costs are now equivalent to 11.1 per cent of its £1.5m of net assets; Aberdeen Emerging Asia (costs 4.6 per cent of net assets); Aberdeen Latin (4.2 per cent) and Brazilian (4 per cent).

The sharp fall in the size of many trusts also means the shares become harder to trade and the trust harder to market to new investors. Very small trusts are not attractive to institutional investors, which set a minimum in dollar terms on the size of holdings they want in their portfolio. A number of trusts are now too small to qualify.

Credit Lyonnais Laing said: "The problem facing these trusts is not the fault of the management group. However, they should be aware that shareholders who have seen two-thirds or more of the value of their investment wiped out, may now view discounts which are double what they were a year ago and higher total expense ratios as unacceptable".

Yardley may find buyer in days

By David Blackwell

A new owner for Yardley, the cosmetics company that supplies the Queen Mother with perfume, could emerge this week.

Talks are scheduled between KPMG, the receivers, and several international consumer products groups with global brands. They are likely to include: Unilever, which has Elizabeth Arden and Calvin Klein; L'Oréal, which owns Helena Rubenstein and Lancôme; Revlon of the US; and Procter & Gamble, owner of Max Factor.

Tony Thompson of KPMG said more than 100 companies expressed interest after the receivers were called in late last month. Ironically, the blaze of publicity surrounding the potential demise of one of the UK's oldest companies sparked record sales last week, as devotees of brands such as English Lavender stocked up on their favourite product.

"I have been surprised at the warmth shown by customers, suppliers and the media towards Yardley," said Mr Thompson. "People are genuinely interested in saving this brand."

It was a rare situation for insolvency practitioners to find themselves in, he added. "We are quite often flogging a dead horse – but that is not the case here."

The company's plan to contract out production is proceeding, and its Basildon, Essex, plant will close at the end of this month with the loss of 300 jobs. However, stock management and marketing will stay in Basildon.

Founded in 1770, in London, Yardley is most famous for the English Lavender brand that is still its best seller worldwide. In spite of associations with Twiggy, the model, in the 1960s, and more recently with Helena Bonham Carter, the actress, it has always had a rather old-fashioned image.

A relaunch of the cosmetics range last year featured Canadian supermodel Linda Evangelista in handcuffs, and was aimed at attracting a more modern, international clientele. But it failed to stem mounting losses on flat sales.

The last reported figures for Old Bond Street Holding Company, owner of Yardley, show pre-tax losses of £9.2m ($15m) on sales of £89m in 1996, after losses of £2m in 1995. Sales last year declined further to £80m, and the company remained firmly in the red.

COMMENT

Biotechnology stocks

Are the clouds lifting over the UK's biotechnology sector? There certainly appears to have been an outbreak of good news. Celltech has had two positive announcements on treatments for Crohn's disease in the past fortnight, triggering a 28 per cent rise in its share price. Shield Diagnostics, Phytopharm and even British Biotech – source of much bad news in the past year or so – have also had something to crow about.

While it will take many more swallows to make a summer in this lossmaking sector, hope is growing that it will recover from its current humble base. Lessons have been learnt.

Several companies have replaced founder chief executives with more commercially experienced managers. More projects have the backing of a big pharmaceuticals partner, bringing credibility as well as funds and expertise. And investors' expectations are being better managed.

Celltech was quick to point out that the drug put on the "fast track" by the US regulator was still at an early stage of development. It is crucial that such realism prevails in a sector that has been hurt by hype.

But although it is becoming easier to assess biotech companies by rational criteria, the tantalising part is their technology. Naturally, they all claim to have new approaches to under-treated conditions. As this remains difficult to judge, investors should still spread their risks rather than trying to pick a winner.

Liffe

The struggle to the death between Liffe and its Frankfurt rival, the Deutsche Terminbörse is not letting up. Just as Liffe was starting to improve its image under a new head, Brian Williamson, and emerging from its defensive bunker, the DTB jumps another pace ahead.

Liffe's ideas about tightening its links with the London Clearing House are not without merit. Strengthening the ties between an exchange's front-office and its less glamorous but essential back-office should lead to savings. If a full merger led to a combining of systems and an improvement in the settling of contracts, Liffe members would benefit.

But as Liffe moves on, so does the DTB. Its talks to expand an existing alliance linking the Frankfurt and Swiss derivatives markets raise the stakes yet further for Liffe.

LucasVarity looks at US and Asia

By Haig Simonian

LucasVarity yesterday confirmed it was examining a number of potential acquisitions in the US and Asia, but analysts doubted the Anglo-American automotive and aerospace group would announce anything concrete this week.

The company is expected to reveal profits of £160m-£165m before tax and exceptionals from continuing operations when it publishes its first-half figures on Wednesday.

The strong figures, combined with a war chest of about £1bn from disposals, has prompted speculation LucasVarity is on the take-over trail.

"We are looking at a range of acquisition candidates", the company said. It declined to name specific targets but noted a number of large US industrial conglomerates were reviewing their automotive operations. The company confirmed it was looking at Mando, the South Korean car components group.

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Biotechnology stocks

LucasVarity look at US and Asia

Nissan to set up company for spin-off

By Michiyo Nakamoto in Tokyo

Nissan, the leading Japanese carmaker, is spinning off its automatic transmission development and production divisions into a new company, as part of a global business reform programme.

The new company, which Nissan aims to establish next summer, will take on the operations of the automatic transmission development department and those of its Fuji plant, which manufactures about 1m automatic transmissions a year.

Nissan also plans to consolidate the operations of Jatco, a 65 per cent-owned subsidiary, with those of the new company to improve efficiency in development, production and sales.

Jatco is a leading manufacturer of automatic transmissions. The consolidation will depend on the approval of Mazda, which owns the balance of the company.

Nissan expects the new company, including Jatco, to remain a leader in the AT market, which is one of the most promising markets in the automotive industry.

Besides Jatco, there are only two other big companies specialising in automatic transmission production – Aisin of Japan and ZF Friedrichshafen of Germany. Together, they dominate the market for automatic transmissions not made in-house by vehicle makers.

But global demand for automatic transmissions is projected to rise by 3m-4m units in the years to 2005 as more cars in important markets such as Europe, Japan and the rest of Asia, move to automatic transmissions.

Initial sales for the new company, assuming Jatco is absorbed, are projected at Y300bn ($2.23bn). Nissan aims to take a two-thirds share in the new company and hopes to attract outside investors.

Nissan joins a growing number of Japanese companies spinning off divisions to raise efficiency and cut costs. Recently, Toshiba announced it was spinning off its elevator division and Hitachi said it would spin off two of its TV and video manufacturing operations into separate companies.

Lafarge plans Asia purchases

By James Kynge in Beijing

Lafarge, the French building materials group, said at the weekend it was planning several acquisitions in south-east Asia and a new cement plant in China, in a drive to establish itself as one of the region's leading industrial corporations.

"[Asia's economic] crisis is an opportunity to build a stronger position in Asia," said Bertrand Collomb, chairman of the group. The company was negotiating acquisitions in the Philippines, Thailand, Malaysia and Indonesia, but it gave no further details.

In China, the group aims to merge its interests in a new holding company which will eventually be listed, perhaps in Hong Kong or Shanghai.

Lester Lim, vice president for finance, said Lafarge would seek investors for the holding company over the next few months. Lafarge will own at least 51 per cent of the company which will be capitalised at about $250m by the end of the year.

Mr Collomb also announced that the company had obtained state-council approval for the construction of a $150m cement plant, with an annual capacity of 1.3m tonnes, in the south western Chinese province of Sichuan.

Lafarge also planned to more than triple the capacity of its existing cement plant in Beijing from 300,000 tonnes to nearly 1m tonnes.

More questions for peer

By Jimmy Burns

Lord Moyne, the Guinness peer, is to face further questioning by Swedish prosecutors over the alleged SKr485m ($61m) fraud last year at Trustor, the Swedish investment company.

Bo Skarinder, the Swedish state prosecutor, said at the weekend that he planned to meet Lord Moyne in November and December, and his former business associate, Lindsay Smallbone, at the end of this month.

"My investigations are continuing. We shall see if they [Lord Moyne and Mr Smallbone] are going to continue to co-operate in the future. I have not made up my mind whether to seek their extradition," Mr Skarinder told the FT.

He was speaking after three days of interviews with Lord Moyne in the Swedish Embassy in London, their first meeting since Mr Skarinder's decision last month temporarily to halt extradition proceedings against the peer and Mr Smallbone.

Lord Moyne and Mr Smallbone, who also face civil lawsuits for damages from Trustor shareholders, have indicated they would not travel voluntarily to Sweden to stand trial. They deny any wrongdoing, maintaining they acted on behalf of three Swedes who deceived them.

Kvaerner chief in fight to justify continuing confidence of his board

The Anglo-Norwegian group's promises must be kept, say **Valeria Sköld** and **Tim Burt**

Erik Tonseth: the important thing is to keep one's head

Erik Tonseth, Kvaerner chief executive officer and president, is facing one of the largest challenges of his 10-year reign at the helm of the Anglo-Norwegian engineering and shipbuilding empire.

Under his leadership, Kvaerner's market capitalisation on the Oslo bourse has been halved, and since the beginning of this year its share price has consistently underperformed the Norwegian Total index.

The malaise was compounded last week, when Mr Tonseth announced "highly unsatisfactory" first-half net profits, which fell by more than 60 per cent compared with the first half of 1997.

Given that scenario, it is no surprise that analysts in Norway have begun talking of Mr Tonseth's corporate obituary. And several observers have pointed out that he probably owes his continued presence heading the company to the historical reluctance of Norwegian boards to dump chief executives who do not deliver.

If Mr Tonseth is to justify the continuing confidence of his colleagues, he must deliver on Kvaerner's promise to become debt-free by 2000 and dispose of NKr12bn ($1.6bn) in non-core assets.

Kvaerner's softly-spoken chief executive clearly believes he has been judged solely on the evidence of a miserable share price.

"I don't say there isn't anyone else who can run this company, and the share price is uncomfortable," he admits. "But the important thing is to keep one's head cool and not do stupid things in the short term."

His latest plan, unveiled with the interim results, is to reorganise the group's seven divisions into four more focused business arms.

The largest will be engineering and construction – to be run by John Fletcher, the current group business director – comprising Kvaerner's process, metals and construction operations with a combined annual turnover of NKr35bn-NKr40bn.

An industrial products division has also been created under Jan Magne Heggelund, until now chief financial officer, to combine the non-engineering metals businesses, pulp and paper and hydro-power company Kvaerner energy.

The oil and gas division remains largely untouched, as does shipbuilding.

All this sounds like rearranging the stock after much of it is past its sell-by date. But Mr Tonseth denies the reshuffle was a last ditch defensive effort to thwart possible takeovers.

He says the group has been talking internally about the new organisation for more than two years, following its £900m ($1.5bn) takeover of Trafalgar House.

For a company of this size, however, two years is too long for most institutional shareholders – especially those looking for better short-term returns.

"It was our mission from day one when we bought Trafalgar House to make a separate engineering and construction business," says Mr Tonseth. He explains the delay by saying that Kvaerner first had to "stabilise" Trafalgar House.

That raises as many questions as it answers, particularly concerning the motives for acquiring the UK group in the first place and failing to be more brutal in stripping out costs.

By concentrating on inherited problems, Mr Tonseth also appears to be turning a blind eye to the rather pressing problems in his shipbuilding division – now under the control of the tough-talking Martin Saarikangas, who previously ran the Kvaerner Masa shipyard in Finland.

Profits in that business have been hit hard by cost overruns and delayed orders. Some of the yards are too small or their order books too lumpy to retain a place in the group – not least Govan in Scotland. A smaller, leaner shipbuilding business would certainly promise better returns in the long run.

Meanwhile, the oil and gas division has been given a longer period to prove itself, mainly in the hope that NKr450m in annual cost reductions planned in the Norwegian area of the business will improve margins. But at a time of volatile oil prices and delayed North Sea investments, cost-cutting will almost certainly not be enough.

Nevertheless, Mr Tonseth believes the key to improving the bottom line will be the debt reduction scheme. The company has sold enough non-core assets to cover the acquisition of Trafalgar House, including the assumption of debt.

The NKr12.052bn in current net interest-bearing liabilities stems from pre-Trafalgar House debt, he explains, and new ones taken to grow the business. But whether Kvaerner is saddled with old debt or new debt is largely academic, it still remains too onerous for a company of this size.

Kvaerner has said it will sell non-core assets to achieve a 0.8 per cent net debt to equity ratio by the year-end and add NKr2.2bn in working capital in the next six months.

The company has already agreed a conditional sale of its prime City of London development site at the Baltic Exchange, and hopes to begin marketing another London site, Chiswick Park, toward the end of the year.

Other assets earmarked for sale include the US house-building activities, John Brown Plastics Machinery and the ship equipment business.

However, Mr Tonseth was talking about withdrawing from some of these areas two years ago, and has still to address the "other business" division, which includes fish processing and HeavyLift, the cargo airline.

Given Kvaerner's record on disposals, it remains to be seen whether the market will share Mr Tonseth's view that sale proceeds will help reduce the debt burden.

The question is whether it shares his optimism. On the day of the restructuring announcement last week, Kvaerner's stock fell 22 per cent.

Mr Tonseth says this was not a verdict on the proposal, but an over-reaction to "groundless rumours concerning possible liquidity problems with the banks".

Further rumours concerning a re-evaluation of its large oil and gas projects in the Norwegian sector and fears of losses on Australian contracts even prompted Kvaerner to issue a stock exchange statement denying any liquidity crisis.

The bearish sentiment concerning Kvaerner, however, is not merely fuelled by market rumours. It reflects the view that the company is too broadly spread and over-exposed to cyclical industries, and volatile parts of the world at the wrong time.

To reverse that view, Mr Tonseth will have to prove that he really is committed to reducing the debt load and improving the bottom line.

New broom gets to grips with Avesta Sheffield

Stuart Pettifor has embarked on a cost-cutting programme and vowed to shake-up the management, writes **Tim Burt**

Market movers

Stuart Pettifor has some harsh words for the performance of Avesta Sheffield. The burly chief executive of the Anglo-Swedish stainless steel group, appointed a year ago to turn round the business, sprinkles his assessment with expletives.

His invective reflects deep dissatisfaction with the cost base and profitability of the group, formed by the 1992 merger of Sweden's Avesta and British Steel's stainless steel operations.

At the time, it was hoped the enlarged company would become one of the world's premier manufacturers of stainless products, both in bulk and specialist grade steel. It would give British Steel the hot-roll capacity lacking in its stainless operations, while promising a greater customer and distribution network for Avesta.

The industrial logic remains compelling but for six years the merged business – 51 per cent owned by British Steel – has struggled to deliver significant profits growth.

Mr Pettifor, previously managing director of British Steel's sections plate and commercial steels division, says that is about to change. After reporting first-quarter losses of SKr324m ($41m) last month, he has embarked on a cost-cutting programme involving more than 1,000 job losses – 13 per cent of the workforce – and vowed to shake-up the management structure.

"This company has not had a cost base good enough to keep up with the opposition. We must close the cost-base gap in all the businesses," he adds.

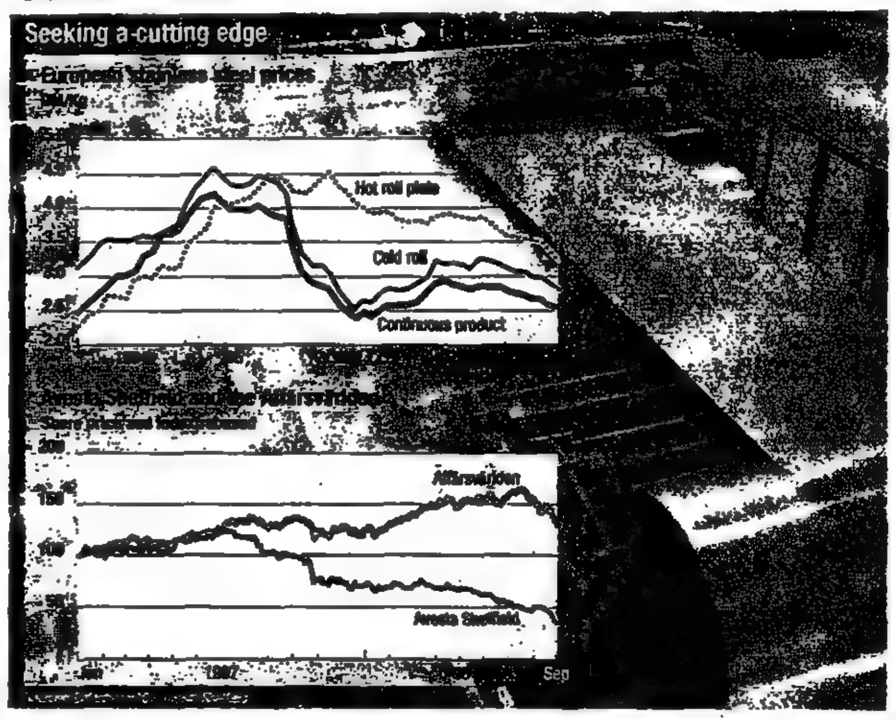
That effort, expected to take two years to complete, will focus on reducing overheads in scrap and raw materials, and in sales, distribution and marketing.

As a first step, the company has decided to transfer heat treatment work from Sheffield to Degerfors in Sweden, with the loss of 100 jobs in the UK, and to put its small tube operations in Wales up for sale.

It has also mothballed its Baltimore melt shop, acquired in 1995 at a cost of SKr332m. Privately, Avesta officials describe that deal as a disaster and question the group's long-term commitment to the US market, where overcapacity and price pressure is endemic.

Against that background and turmoil in Asia, Avesta Sheffield is expected to concentrate on increasing its market presence in Europe but even there, its cost base is way above its rivals, led by Finland's Outokumpu and Spain's Acerinox.

Avesta Sheffield's overheads, measured on a wages-to-sales basis, stand at about 16 per cent, compared with 8 to 9 per cent at its main competitors.



Mr Pettifor is committed to addressing that, not least by removing layers of management and cutting jobs on the shopfloor.

Sales and marketing will be made more directly accountable to managers of nine new business areas, and areas such as human resources will be integrated under one executive at the Stockholm headquarters.

"We have had to refresh the senior management team with outside recruitment," says Mr Pettifor. "The old structure was very confused and establishing profit responsibility was difficult."

A more streamlined organisation is certainly desirable but many industry analysts believe it will not address Avesta Sheffield's fundamental problem – the excessive cost of running a business spread across too many plants in too many regions.

Unlike Outokumpu, Avesta does not have fully integrated hot roll plants. It has to ship steel slabs produced in Sheffield to Sweden for hot rolling, and then transport steel coil back to the UK for onward distribution to customers there and in continental Europe.

"To be really efficient, this company needs melting shops, hot rolling and cold rolling all on one site," says Catarina Ihre at Deutsche Morgan Grenfell in Stockholm. "Sooner or later, Avesta will have to decide whether it wants to invest the large sums necessary to have an integrated facility."

Although Mr Pettifor claims the group has sharply reduced transportation costs between Sweden and the UK, it still represents an additional expense of SKr130m a year. All that could be avoided if it invested in hot rolling facilities in Sheffield.

However, that goes to the root of Avesta Sheffield's dilemma. British Steel helped engineer the merger specifically because it lacked hot-rolling facilities in Sheffield and was unwilling or unable to invest in them.

Although European demand for stainless steel is growing, British Steel is unlikely to sanction such a large investment at a time of intense price competition and overcapacity. Yet analysts argue that is what is required if Avesta Sheffield is to achieve the underlying margins of 10 per cent enjoyed by Outokumpu and Acerinox.

"Without an integrated production base it is doubtful whether they will ever match the Finns or Spaniards, and I am not sure shareholders are willing to put in that kind of money," says one analyst.

Given such uncertainties, it is not surprising that the shares have fallen from a 12-month high of SKr75 to about SKr25. Avesta Sheffield has to prove that its Anglo-Swedish production base can deliver genuine profit growth – even before transport and logistics costs.

That will be an expensive and lengthy task. But Mr Pettifor says it is time to begin. "This will not be a one-time hit. We have worked to bring about change but there is more to follow. Avesta Sheffield wants to take part in the growth in the market, and we are working on an investment strategy for the future," he says.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Randstand (N'lands)	Strategix Solutions (US)	Business srvcs	$850m	Stepping up push
Petronas (Malaysia)	Engen (SA)	Oil & gas	$638m	Tepid response
Vodafone (UK)	BellSouth NZ (NZ)	Mobile telecoms	$413m	Complementary
Applied Power (US)	Rubicon (UK)	Engineering	$342m	Global move
Investcorp (Bahrain)	Leica Geosystems (Switz)	Measuring systm	$312m	Lancet exits
Ashanti Goldfields (Ghana)	Samax Gold (Canada)	Mining	$135m	Gold development
Power-One (US)	Melcher (Switz)	Electronics	$53m	MBO exit
Photobition (UK)	Katz Digital (US)	Business srvcs	$50m	Graphic growth
National Express (UK)	Crabtree-Harmon (US)	Transport	$37.5m	US bus debut
Royal Dutch/Shell (UK/N'lands) Texaco (US)	JV	Oil & gas	n/a	Downstream deal

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Templeton seeks to block Petronas offer

By Louise Lucas in Hong Kong

Templeton, one of the biggest investors in emerging markets, is seeking to block the proposed takeover of a South African oil company by Petronas, Malaysia's state oil company, claiming the deal would create an unfair playing field.

The move comes after Malaysia imposed capital controls last week – a step that has forced several international fund managers to suspend dealings. Templeton has funds in Malaysia that are now frozen.

"It is an uneven playing field in that Malaysia is holding our assets while using US dollars in other countries to buy cheap assets," said Mark Mobius, who heads the emerging markets group of Templeton Asset Management.

However, the group – which has a 6 per cent stake in Engen, South Africa's biggest oil company – has as yet won little support from fellow minority shareholders, which include Old Mutual of South Africa and J.P. Morgan Investment Management.

Templeton said other minority shareholders are awaiting the official takeover prospectus, which is due to be published today. However, they may also be attracted by the R23 a share price tag, which represents a premium of some 20 per cent on Friday's close, and comes as the Johannesburg stock market has been caught in the emerging markets turmoil.

None the less, Templeton believes that the price undervalues Engen, and reckons the replacement value of its refinery alone would be $1.2bn, or nearly double the R4.13bn ($663m) value that the Petronas proposal attaches to the whole company.

Sven Richter, an analyst with Templeton, said other investors were also unhappy with the price, but were wary of being left with small and illiquid stakes in the event of Petronas securing partial acceptance. "At the moment, they are uncommitted but listening to everything," he said.

Engen directors (other than those from Petronas) have also aired concerns that the offer does not reflect the "fundamental value of Engen, including over the longer term".

AssiDomän to spin-off 27% of forestry holdings

By Greg McIvor in Stockholm

Shares in AssiDomän jumped 3.8 per cent on Friday after the state-controlled Swedish paper and packaging group unveiled plans to spin off 27 per cent of its forest holdings to shareholders.

The announcement followed pressure on Assi's management from the government, which owns 50.2 per cent of Assi shares. It had claimed Assi received an over-generous land allocation in connection with its privatisation under a previous administration in 1994.

The company is to transfer 900,000 hectares of productive forest land, located mainly outside its three core domestic production areas, to a new company, provisionally named Vasaskog.

Following the distribution of Vasaskog shares to Assi shareholders, the government will use part of its Assi stake to finance a public offer for all Vasaskog stock.

The deal, which amounts to a partial renationalisation of Assi's land assets, is expected to reduce the state's holding in the company below 50 per cent.

Analysts welcomed this, saying it would improve liquidity in Assi shares and enhance their appeal among investors.

"It is good news but I don't think we will see a complete re-rating of the AssiDomän shares," said Catarina Ihre, forestry specialist at Deutsche Morgan Grenfell in Stockholm.

Assi shares closed up SKr6.50 at SKr187 in Stockholm on Friday.

Lennart Ahlgren, Assi chief executive, said the transaction would realise values in Assi's timber assets that would otherwise remain locked in its balance sheet.

Analysts said Assi's entire Swedish forest holdings of 3.3m hectares were worth SKr25bn to SKr30bn but were under-valued by the company's share price. Assi's market capitalisation is about SKr18bn ($2.3bn).

The cost to the Swedish government – and the exact amount by which the state will reduce its stake in Assi – has yet to be clarified.

Assi said the move would reduce its annual turnover by SKr630m. Pre-tax profits would decline by SKr400m because of increased timber sourcing costs.

Once the spin-off is complete, Assi's self-sufficiency in timber procurement will drop from 65 per cent to 49 per cent.

Anders Sundström, Sweden's trade and industry minister, first announced in May that the government intended to approach Assi about the repurchase of forest assets.

This followed protests from owners of small, locally owned saw mills, who claimed Assi was discriminating against them by charging inflated prices for its timber.

Casino makes fresh overseas acquisition

By Mark Mulligan in Paris

Casino, the French retailer which last year fought off a hostile takeover bid, is stepping up its international push with an acquisition in Uruguay.

The company said yesterday it was to take a 50 per cent stake in the family-owned Disco group, the country's leading food r[illegible]r, in a deal valuing the ta[illegible]t FFr720m ($124m).

The purchase follows the $200m acquisition in February of 75 per cent of Libertad, the Argentine supermarket group and is in line with Casino's strategy of growth through international expansion.

"Our strategy remains unchanged: the active pursuit of international development with accelerated growth in Latin America, Asia and central Europe," Christian Couvreux, chairman, said yesterday.

The group's first-half results showed the partial consolidation of sales from the Argentine business and the first full inclusion of operations from Poland. In the US, the company's biggest overseas operation, sales climbed 18.3 cent to FFr4.33bn.

However, after accounting for new outlets, acquisitions and currency factors, the increase was 6.9 per cent and, at the operating level, there was a loss of FFr94.2m.

Analysts said yesterday the group's moves towards consolidation in the home market were paying off, with the shares up almost 40 per cent since Promodès launched its FFr375-a-share hostile bid last autumn.

However, in spite of an enthusiastic response to the results from analysts and brokers, the shares were hit by profit-taking and followed the Paris market down to close at FFr523.

Net profits were up 35.7 per cent at FFr555m, while earnings per share were FFr6.10 against FFr5.62.

Salomon hires four Dresdner analysts

By Clay Harris

Salomon Smith Barney, the US investment bank, has hired four analysts from Dresdner Kleinwort Benson in a move designed to strengthen its coverage of European and UK banking.

The recruits include Simon Samuels, Nick Lord and Stuart Young, the UK banking team, which was rated first in the 1998 Reuters larger companies survey and third in the Extel survey of investment analysts. Jeremy Sigee is also joining from the German-owned bank's European bank team.

Salomon's John Leonard, who previously also covered the UK, will move to full-time coverage of European banking. Salomon's banking team includes Matthew Czepliewicz and Inigo Lecubarri.

Battle commences in US futures

From tomorrow the traditional Chicago trading base must compete with an electronic opponent – the CFFE

By Nikki Tait

The threat of electronic trading has hung over the US futures industry – and its traditional Chicago base in particular – for the best part of a year. Tomorrow in the wake of last week's decision to give regulatory approval to the new Cantor Financial Futures Exchange, it will become a reality.

That is when the new venture – a joint initiative by the New York Board of Trade, one of the smaller US futures markets, and Cantor Fitzgerald, the big US broker-dealer – intends to start trading US Treasury bond futures, together with derivative contracts on 10-, 5-, and 2-year notes.

Cantor-NYBOT have not got this far without a fight. Their proposed exchange is a direct challenge to one of the biggest areas of business for the Chicago Board of Trade, and the world's largest futures market has mounted a strenuous campaign in opposition.

(The size of the business at stake was amply demonstrated 10 days ago when, in the midst of stock market turmoil, more than 1m bond futures contracts changed hands. Even in more "normal" conditions, daily volumes on CBOT are typically close to 500,000 contracts.)

But CBOT's complaints about the ownership and market implications of the new exchange, which it claims could be run in Cantor's interest, as well as its warnings about past regulatory misdemeanours at the US broker-dealer, have failed to cut much ice at the Commodity Futures Exchange Commission, the US regulator.

The commission has pointed out that Cantor itself will have no ownership interest in CFFE: rather, 10 per cent of CFFE's equity will be held by the New York Cotton Exchange (part of the NYBOT) and 90 per cent by NYCE members. The US broker-dealer's returns from the venture, meanwhile, will come from fees paid by people trading on the new exchange.

The CFTC has also accepted the various safeguards and governance arrangements put forward for the new exchange. And it has dismissed as irrelevant its own 1997 settlement agreement with Cantor's futures arm, which cost the firm $500,000 and involved registration violations and charges of aiding and abetting fraud.

CBOT says that, in spite of last week's setback, it will fight on. The exchange was reviewing "all options, both legal and legislative", and would take a decision on what to do in the coming weeks, Tom Donovan, CBOT's president, said on Friday.

> **The new exchange is already claiming it can offer customers a big advantage over CBOT's traditional pit-based trading system**

But for the moment, at least, the CFFE would seem to have the field clear. The new exchange is already claiming it can offer customers a big advantage over CBOT's traditional pit-based trading system. Fee details will be revealed on Tuesday, but Cantor has promised that the cost of trading on the CFFE will be only 50 per cent of that at CBOT.

Trading hours will also run from 7.30am to 5.30pm, longer than in the traditional "open-outcry" pits at CBOT, although the Chicago exchange does offer its own electronic trading system after-hours.

Perhaps one of CBOT's more justifiable jibes has been that the CFFE will not amount to a "true" electronic exchange at all. Orders flowing into the market must still be phoned to "terminal operators", who in turn will immediately input them into an electronic trade-matching system. This will use the same technology that Cantor employs in the cash treasuries market.

Orders, meanwhile, can only be placed with the TOs by people registered to trade on the CFFE.

Cantor points out that – hybrid or not – the trade-matching, electronic portion of this process is at least a tried and tested system, and robust. It can handle an estimated 100-150 transactions a second, for example, Cantor claims.

Whether this telephone-electronic combination appeals to customers is a question which will only be answered over the coming months. But there is every sign of interest: Cantor, for example, says that about 1,600 people have already been registered to trade, and that "hundreds of applications are pending".

These have come both from big futures trading firms and some of Cantor's existing customers in the fixed-income cash market.

News of the CFTC's green light last week, the US broker-dealer adds, set the phones humming on Friday, with at least one large futures trading firm seeking to add additional names to its registered trader list before Tuesday's launch.

But matters could become a good deal more complicated later this month when CBOT is due to extend its own electronic after-hours trading system into the trading day for fixed-income derivatives. This will in effect give customers a third option alongside the regular pit trading and the CFFE. And at that stage, the already bloody battle between CBOT and Cantor could become even more intense.

INTERNATIONAL BONDS INVESTORS NO LONGER 'DECOUPLE' REGION FROM CRISES IN ASIA AND RUSSIA

Latin America gets dose of reality

By Jeremy Grant

Only a few months ago, it was fashionable – indeed accurate – to speak of Latin American debt markets as having "decoupled" from the turmoil in Asia and the gathering gloom in Russia.

Investors were prepared to separate Latin American risk from the contagion affecting emerging markets elsewhere, allowing governments to keep their borrowing plans on the international capital markets fairly intact.

Argentina and Venezuela each managed to pull off a bond issue with relative ease while appetite for other emerging market paper was at an all-time low.

In the secondary markets, Latin American bonds were trading at far less of a discount to their par value than their equivalent Russian benchmarks, which were bumping along at levels that implied sovereign default.

But in the space of a fortnight, all that has changed. The waves of contagion sparked by Russia's default and ensuing political crisis have hit Latin America, scaring away even the hardiest investors.

Talk of decoupling has dissipated as key stock markets in the region have plummeted and currencies have slipped.

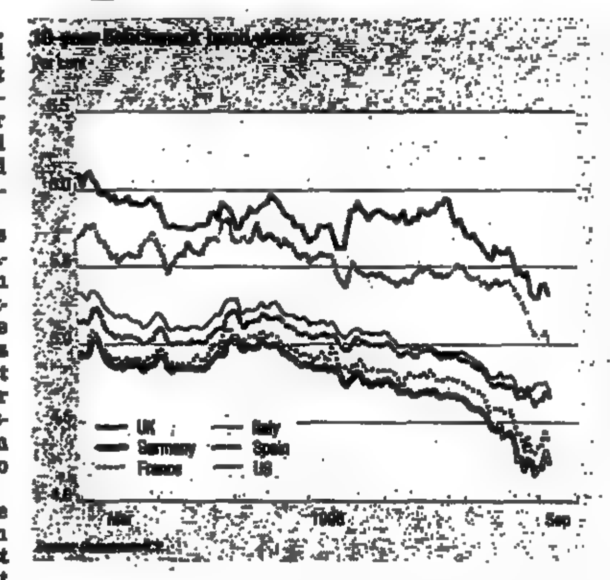
Moody's Investors Service, the rating agency, confirmed the end of decoupling last week by downgrading certain foreign debt ratings for Venezuela and Brazil, and reviewing Argentina and Mexico for possible downgrade.

"This [development] is incontrovertible," said Richard Fox, director Latin American sovereigns at rating agency Fitch IBCA. "The question is how much of it is general portfolio adjustment by people trying to cover themselves for losses in Russia or a more long-term thing. And it's really too early to say which."

However there are some implications that can already be drawn. The first and most significant is that the cost of borrowing has increased dramatically since Russia hit an economic brick wall.

The J.P. Morgan emerging markets bond index, which measures the spread on a basket of emerging market bond yields over the benchmark US Treasury yield, rose to 1,476 basis points on Friday, compared with 850 basis points almost three weeks ago.

That has potentially serious implications for Argentina, which has been a deft borrower and is the most dependent of all the Latin American countries on the international capital markets. SG Emerging Markets estimates that $11.1bn in redemptions on Brady bonds and eurobonds fall due next year. This is money that the country will be hard pressed to find if, as economists predict, the region faces a contraction in gross domestic product.



Any contraction in the Brazilian economy – exacerbated by the expected maintenance of tight monetary policy – will automatically hurt Argentina, as 40 per cent of its exports are bought by its larger neighbour.

That will make it more difficult to meet its borrowing requirements one fiscal quarter ahead of time, as it has managed to do so far.

And with investor appetite for all emerging market asset classes gone, it will also force the country to turn to other sources of financing, such as the domestic bond market, syndicated loans and funds that have not yet been drawn down from an International Monetary Fund facility.

Tim Love, head of global and Latin American emerging markets strategy at SG Emerging Markets, said Argentina has a good reputation as a borrower but it may not be enough to keep investors interested as its external debt of $130bn is worryingly high. "They've done everything you can do in textbook terms when it comes to spreading risk in debt service and in currency diversity. But the Achilles Heel is the absolute level of debt," he said.

Brazil, a less frequent visitor to the markets, faces two problems. It must find a way to service about $50bn in redemptions and interest payments in the domestic bond market by end-October, while foreign exchange reserves are falling.

Although it has an $80bn privatisation programme in the pipeline, Brazil cannot rely on these revenues in current market conditions.

Mexico, which has also been placed on review, has no external borrowing requirements in 1998 and 1999 and is thus much less affected by the move.

"Because Latin America has been through many crises in the past, policy-makers have a better understanding and awareness of what they need to do at times like this," said Fitch's Mr Fox. "Crises are often quite good for Latin America. It forces them to do things that they should have done anyway."

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 4, 1998. [illegible]

		£ STG	US $	D-MARK	YEN (X 100)			£ STG	US $	D-MARK	YEN (X 100)			£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

NEWS DIGEST

FINLAND

Raisio sees Russian trade halted after turmoil

Raisio, the Finnish food and chemicals group, said on Friday that deliveries to Russia – its largest export market – had ground to a halt because of the economic turbulence there. The company, which produces the highly-rated cholesterol-cutting margarine Benecol, said the lack of a rouble exchange rate made trading impossible.

Raisio said the cessation meant it would probably fall short of its forecast of annual sales this year of FM5.5bn ($1.04bn). However, profits were still expected to exceed last year's FM209m. Raisio's Russian sales amounted to FM700m last year, or about 12 per cent of group turnover. **Greg McIvor, Stockholm**

FRENCH BANKING

Crédit Agricole reassures

Crédit Agricole, the French mutual bank, has brought forward its first-half results presentation to calm speculation over the exposure of its investment banking operation to emerging markets. The decision follows last week's review of the financial-strength rating of Crédit Agricole Indosuez by Moody's Investors Service, the rating agency, which said the bank's activities in Russia and other emerging markets had forced it to review Indosuez's "C" financial-strength rating for a possible downgrade. However, the group yesterday said that, even after "substantial" provisions for Russia and Asia, the bank would report first-half results in line with last year. The results will be presented on September 16. **Mark Mulligan, Paris**

SLOVAKIA

Insurer stays in state hands

The Slovak National Property Fund has prevented the state losing control of Slovenska Poistovna, the country's largest insurer, by blocking the registration of shares issued through a rights issue. At an extraordinary general meeting on Friday, owners of 62 per cent of shares voted against registering Sk375m ($10.6m)-worth of shares issued last month, which would have increased the share capital to Sk1.875bn.

The National Property Fund, which did not participate in the rights issue, would have had its shareholding reduced from 50.5 per cent to about 40 per cent, resulting in the company's de facto privatisation, in spite of a law banning this until after 2003. VSZ, Slovakia's biggest industrial company, would have raised its stake from 20 per cent to 26 per cent, and with allied shareholders would have controlled close to 50 per cent of the insurer.
Robert Anderson, Prague

FOOD

Goodman Fielder up 18.9%

Goodman Fielder, Australasia's largest food group, achieved an 18.9 per cent rise in net profits to A$132.5 (US$78m) in the year to June, in spite of tough trading conditions, and is seeking acquisitions. The company's milling and baking, cereals and snacks, edible oils and ingredients businesses all reported stronger earnings. However, the poultry division's profits were affected by an over-supply of chicken. **Russell Baker, Sydney**

MOBILE TELEPHONY

Vodafone coy on merger talk

Vodafone, the UK's largest mobile telephone group, yesterday refused to comment on renewed speculation that it was considering a merger with Airtouch, a leading US cellular group. Talk of a link-up dates back to 1994, soon after Airtouch was spun-off from Pacific Telesis, the Californian local phone company.

Analysts have supported a merger, which would create a £40bn ($67bn) mobile telephone group. While both companies have significant operations in Europe, overlap is minimal, with Vodafone strongest in France, Germany and the Netherlands and Airtouch in Spain, Italy and Portugal.

After a year of spectacular share price growth Vodafone is valued at £23bn, compared with £19bn for Airtouch.
Christopher Swann

MEDICAL EQUIPMENT

Smiths Industries eyes US buy

Smiths Industries, the UK-based aerospace, medical systems and industrial engineering group, is in talks to buy Biochem International, the US medical equipment manufacturer. Smiths said the deal, expected to value BCI at about $83m, would strengthen its range of respiratory care products. **Christopher Swann**

EMERGING MARKETS GOVERNMENT'S 12-MONTH BAN ON SELLING EQUITIES HAS THROWN INVESTMENT STRATEGIES INTO DISARRAY

Malaysia controls confound fund managers

By Philip Coggan, Markets Editor, and Jeffrey Brown

Malaysia's significant retreat from free markets last week has ushered in a host of problems for emerging market investors. The imposition of capital and currency controls have locked investors into a market from which many would like to retreat.

Initial confusion did not help their task. A statement from Malaysian prime minister, Mahathir Mohamad, suggested that overseas investors would be unable to repatriate funds if they had not held shares for at least 12 months.

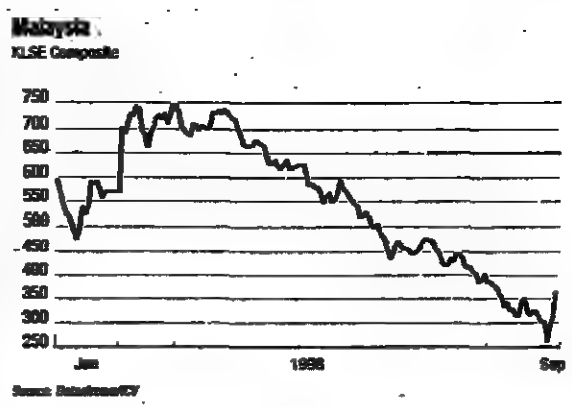
But on Friday, it became clear that managers would be unable to repatriate funds for 12 months from September 1, however long they had held their investments. The proceeds of any shares sold would have to be held in Malaysian ringgits, now fixed at M$3.8 to the dollar.

This presented a particular problem for open-ended funds, such as unit trusts or mutual funds, which have to sell parts of their portfolios to meet redemptions by investors. Hence the suspension of dealings in Malaysia-linked funds by Fidelity International, HSBC and Jardine Fleming. HSBC also suspended a regional fund, the Tiger Index Trust.

The restrictions also threaten Malaysia's place in global stock market indices, many of which see liquidity as a vital criterion for inclusion. On Friday, Morgan Stanley Capital International dropped Malaysia from its World and EAFE (Europe, Australia and the Far East) indices.

Both the International Finance Corporation, which runs one of the main emerging market indices, the IFC Composite, and FTSE International said last week they were considering Malaysia's position in their benchmarks.

Fund managers face a number of problems. Those index funds that track an emerging market benchmark will be particularly stuck if Malaysia is expelled; they will be left with stock that they do not want and cannot dispose of for 12 months.



Regional south-east Asian funds may also have significant Malaysian weightings; after all, Malaysia was the biggest emerging market not that long ago.

One problem will be that, if clients want to redeem holdings (and many will, considering the weakness of Asian markets), they will have to sell their non-Malaysian holdings. That will increase the weight of Malaysia within their funds.

A further problem for UK funds could be rules that state that no more than 10 per cent of a portfolio can be in ineligible markets.

Malaysia is currently eligible but the new controls could change its status; managers may thus find themselves in breach of the rules with no means of solving the problem. They have to hope that trustees will be understanding.

There are few obvious solutions. The Singapore Stock Exchange has traded Malaysian shares on an over-the-counter basis for some time but on Friday, it said it would trade them for just one week more, saying it was now impractical to continue.

Fund managers find the situation in Malaysia totally confusing. "After Asian contagion we now have the Malay malaise," said one.

Some are resigned to sitting out the 12-month period; others are talking about drastic measures, such as giving end-investors a separate piece of paper representing their Malaysian holdings so the rest of the fund can be managed normally.

Edward Goodchild, fund manager at Foreign & Colonial, says he ran down his Malaysian holdings to zero two months ago. They stood at around 5 or 6 per cent at the start of the year. Among those funds still holding positions, he says, there is a frantic search for loopholes to the capital controls.

In this respect, dividend income could be one of the more obvious areas for investors to exploit, says Mr Goodchild. The situation in Malaysia is "very confused to say the least", but for the moment it looks as if dividends appear to be outside the 12-month rule on repatriation.

If this is eventually confirmed, then there is a clear case for ignoring bonds and cash and switching into higher yielding shares, says Mr Goodchild.

This could be good news for locked-in investors. The yield regime in Malaysia is relatively attractive, with a 1998 market yield of more than 4 per cent compared with less than 1 per cent for Hong Kong and Singapore and around 1.5 per cent for Asia as a whole, including India.

Paribas Asia Equity, which has temporarily suspended all Malaysian trading on the grounds that it is "too risky", points to a number of good quality yield shares, notably local offshoots of international companies. Rothmans and RJ Reynolds Malaysia currently yield 12 and 6 per cent respectively.

Economy holds back Israeli banks

By Avi Machlis in Jerusalem

Israel's prolonged economic slowdown held back interim income at Bank Hapoalim and Bank Leumi, the country's two biggest banks, although both reported increases in net profit.

Hapoalim, Israel's biggest bank, saw first-half net profits increase 4.5 per cent from Shk598m, or Shk0.48 a share, to Shk625m ($170m), or Shk0.51 a share. Much of the rise was fuelled by a 30 per cent decline in provisions for doubtful debts.

But profit from financing activity before doubtful debts, or the top line, fell 4 per cent from Shk1.9bn to Shk1.82bn. Analysts attributed the top-line decline to *the economic slowdown.*

At Bank Leumi, the slowdown kept income nearly static at Shk1.91bn, compared with Shk1.9bn. Net profits fell 48 per cent from Shk834m, including one-off capital gains of Shk484m, or Shk0.59 a share, to Shk433m, or Shk0.30 a share, this year.

Excluding these gains, a fall in provisions for doubtful debts helped lift net profits 23 per cent.

Shares in Hapoalim rose 3.75 per cent on the news to Shk9.12, while Leumi rose 2.58 per cent to Shk6.07.

● Bank Hapoalim yesterday said it agreed to begin divesting its holding in Clal Israel, the country's second biggest holding company, in the latest stage of banking reforms launched in 1995.

The reforms aimed to reduce the big banks' grip on the economy and compelled Hapoalim to sell its stake in either Clal or Koor Industries, Israel's biggest holding, by the end of 1999.

Hapoalim controls about 8 per cent of the Israeli economy through non-financial holdings.

Danish meat processors announce merger

By Hilary Barnes in Copenhagen

Denmark's two largest co-operative abattoirs plan to merge to form the largest meat-processing business in Europe.

The two, Danish Crown (DC) and Vestjyske Slagterierer (VJS) are farmer-owned co-operatives and together process about 15.5m pigs, about 80 per cent of Denmark's total production.

The merger will create a group more than twice the size of its nearest European rivals, Dumeco of the Netherlands, Germany-based Nordfleisch and the UK's Unigate Malton-Harris.

The deal will probably need approval by the European Commission, given the group's dominating position in the Danish market. The new concern, which will be called DC-VJS, will have turnover of about DKr37bn ($5.6bn) and 18,000 employees. This will make it Denmark's second largest industrial group, exceeded only by AP Moller-Maersk, the shipping, oil and gas group.

Denmark is the world's largest exporter of pig meat, which accounts for about 10 per cent of its export income. DC-VJS alone should produce about 8 per cent of annual export earnings.

Since 1997, when producers received an average of DKr11.60 per kilogram for pigs, prices have slumped to DKr7.10 this autumn as demand has weakened in Asia and sales to Russia have come to a halt. Meanwhile, pig production is rising steeply in the USA.

Mr Kjeld Johannesen, chief executive officer of Danish Crown, who will be chief executive of the new group, said no mass dismissals would follow the merger. He said the benefits of the deal would arise primarily from "better market access and strengthening competition".

"It is crucial that we can maintain the offensive role which the Danish meat industry already plays in the world market," said Niels Mikkelsen, incoming chairman of the new group.

MARKETS WEEK

September 7 - September 13

NEW YORK

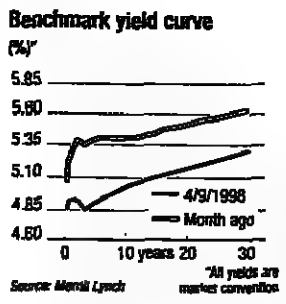
By Tracy Corrigan

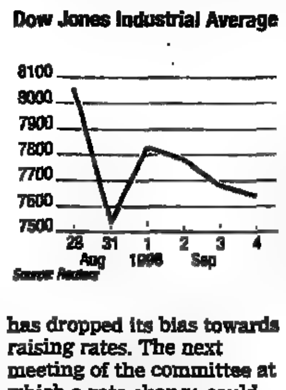
The US Treasury market is likely to be driven once again by stock price movements when the US markets reopen on Tuesday, after the Labor Day holiday. Further turmoil in world stock markets could prolong the rush by investors for the safe haven of the US bond market, where 30-year yields are already close to 5¼ per cent.

Furthermore, the bull market for US bonds may find further sustenance in indications by Alan Greenspan, the US Federal Reserve chairman, in a speech on Friday that he may cut interest rates if global financial turmoil intensifies and appears to be harming the US economy.

He implied that the Fed currently holds a neutral position on rates, saying it now saw a balance of risks between deflationary pressures from international turmoil and domestic inflation, confirming the market's belief that the Fed has dropped its bias towards raising rates. The next meeting of the committee at which a rate change could be set is September 29.

Among key economic data due this week are August consumer credit figures on Tuesday and the August producer price index on Friday.





LONDON

By Stephen Thompson

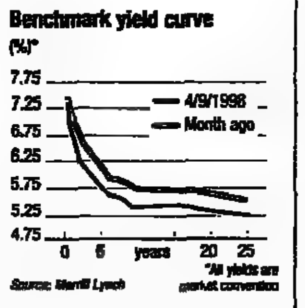
The return of many of the stock market's big hitters from annual summer holidays, coinciding with the continuing turmoil in global markets is likely to produce an upturn in activity in London's equity market.

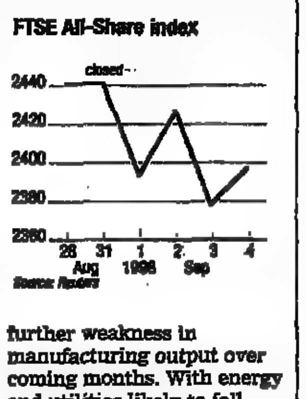
Turnover is also expected to be boosted by the long list of companies reporting interim results.

One of the main features of the week in London will be the regular monthly meeting of the Bank of England's monetary policy committee. As Richard Jeffrey, group economist at Charterhouse Tilney puts it in his macro-market review this week: "It would be astonishing were the mpc not to consider the case for cutting interest rates."

Other crucial economic domestic news expected this week is industrial production and manufacturing for July. HSBC says that the Confederation of British Industry survey points to further weakness in manufacturing output over coming months. With energy and utilities likely to fall back this month, industrial production will be even weaker.

No fewer than 10 FTSE 100 Stocks are due to report and the market will be on red alert for any warnings.





FRANKFURT

By Graham Bowley

German shares have fallen sharply in the wake of the downturn in world markets since the Russian crisis broke. Shares gyrated nervously again last week, although they found some stability on Friday after comments by Hans Tietmeyer.

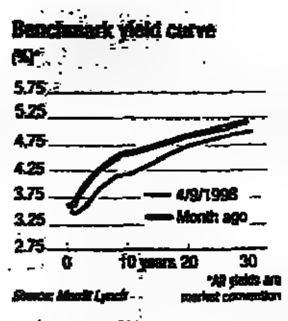
The Bundesbank president said interest rate cuts were not the answer to world market tensions and that economic growth was not in danger in Germany. His comments buoyed the dollar.

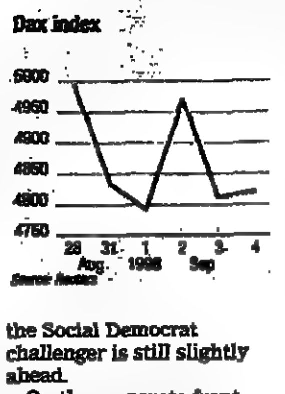
Away from the Russian crisis, the German market is becoming increasingly dominated by politics in the run up to national elections on September 27.

The state of Bavaria holds regional elections on Sunday, which will give some indication of how the parties might fare in the national poll.

Helmut Kohl, chancellor, has closed some of the gap in opinion polls with Gerhard Schröder, although the Social Democrat challenger is still slightly ahead.

On the corporate front, Hugo Boss presents results today. Industrial group MAN publishes details of its results tomorrow. On Friday, Thyssen and Krupp is expected to publish details of its co-operation.





TOKYO

By Gillian Tett

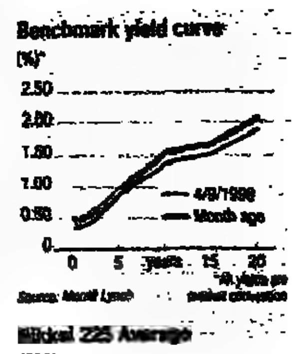
Will Tokyo plunge below 14,000 again? That will be the key question hanging over the Tokyo Stock market this week.

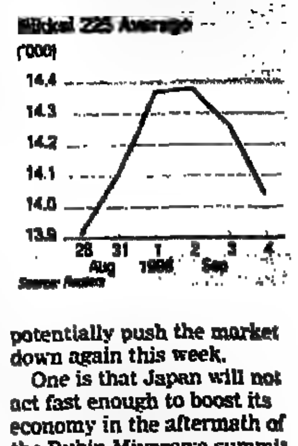
For as global equity markets tumbled last week, Japan notched up – almost unnoticed – a startling 12-year low. The Nikkei 225, the key stock market indicator, fell to close at 13,915.63 on August 28, just below the previous post-bubble low seen this decade in 1992. More alarmingly, it is also well below the levels at which corporate Japan starts to notch up large losses on their cross-shareholdings.

By Friday, the pressure ebbed slightly: the market closed at 14,042.91, only slightly down on the week, as some pension funds stepped in to take advantage of the cheap prices and increase their Japanese holdings.

However, analysts warn that there are now at least two factors that could potentially push the market down again this week.

One is that Japan will not act fast enough to boost its economy in the aftermath of the Rubin-Miyazawa summit in San Francisco over the weekend. The other is that corporate Japan is heading for more profit downgrades and bankruptcies.





LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	0.38	12½	8	Chaucer & Whit	12½		-	-	-	-
160	F.P.	1,600	192½	145	Coca-Cola Bev	166	+4	-	-	-	-
-	F.P.	-	58	55½	Enterprise Cap B W	55½		-	-	-	-
§114	F.P.	19.1	117½	84½	†Firestone D'mond	84½		-	-	-	-
§	F.P.	-	169½	167	GBGT Secs Zero	167½	+¼	-	-	-	-
-	F.P.	-	60	46	Gartmore Br Mit	46½	-½	-	-	-	-
-	F.P.	-	87½	82	Do Inc	87½	+1½	-	-	-	-
-	F.P.	-	85½	83	Do New Inc	85		-	-	-	-
-	F.P.	4.65	119½	97½	†Inter Link Foods	99½		2.0	3.5	2.5	14.3
§130	F.P.	118.8	129½	122½	Kiln	122½		W-	-	-	14.5
-	F.P.	405.1	98	94	MEPC Non Cum Pf B	95½		-	-	-	-
-	F.P.	14.3	112½	108½	†Metnor	112½		b3.6	-	4.0	-
§	F.P.	5.94	18	15	Murray Extra Rtn Cap	17		-	-	-	-
§32	F.P.	4.02	32½	28½	†Parallel Pictures	28½		-	-	-	-
§66	F.P.	0.79	66½	62½	†Private & Comm Fin	64	+½	R0.8	-	1.2	2.6
*	F.P.	15.2	65½	37½	†Sodra Petroleum	37½		-	-	-	-
*	F.P.	4.95	103½	90½	†SupaRula	90½		-	-	-	-
-	F.P.	-	34	21½	Syndicate Cap Wts 98/02	22½		-	-	-	-
-	F.P.	186.6	304	157½	Torotrak	162½	-5	-	-	-	-
§	F.P.	149.3	512	504½	Tribune IT Index	508	-½	-	-	-	-
-	F.P.	-	33½	32½	Walker Greenbank B	33		-	-	-	-
§2	F.P.	2.46	2½	2¼	†Wilmslow	2½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
3.5	Nil	14/9	0.09pm	0.09pm	Cadoro	0.09pm	

pm premium.

FTSE GOLD MINES INDEX

	Sep 4	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	899.38	-18.0	27.94	100.00	2.18	-	1535.45	701.58
▪ Regional Indices								
Africa (9)	951.94	-13.8	7.69	27.52	5.06	37.67	1625.29	785.63
Australasia (7)	920.53	-20.4	2.39	8.60	3.42	8.42	1609.66	815.93
Americas (11)	861.85	-15.4	17.76	63.79	0.77	61.83	1574.16	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. CONSTITUENT CHANGE DURING THE WEEK ENDING 4/9/98: Deletion: Exander Gold Mines (Africa).

STOCK INDICES

	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31		1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5167.0	5118.7	5235.6	5169.1		(c)	6179.0	5068.8	6179.0	986.9
FTSE 250	4683.3	4645.5	4712.0	4627.3		(c)	5966.8	4627.3	5966.8	1379.4
FTSE 250 ex IT	4719.4	4705.7	4767.8	4683.3		(c)	6030.0	4683.3	6030.0	1378.3
FTSE 350	2471.2	2460.8	2502.8	2468.6		(c)	2967.6	2444.7	2946.4	664.5
FTSE SmallCap	2069.23	2066.22	2081.25	2047.45		(c)	2668.99	2047.45	2668.99	1363.79
FTSE SmallCap ex IT	2063.57	2062.27	2072.26	2042.00		(c)	5554.10	2042.00	5554.10	1363.79
FTSE All-Share	2395.84	2378.18	2429.75	2399.25		(c)	2888.17	2378.18	2885.17	61.92

	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31		1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1165.83	1156.28	1158.88	1140.22		(c)	1617.11	1140.22	1517.11	31.14
FTSE Eurotop 100	2489.63	2464.58	2526.43	2477.16	2512.35		3066.91	2238.40	3066.91	2044.47
FTSE Eurotop 300	1078.39	1068.08	1067.15	1075.49	1088.99		1327.88	971.93	1327.88	874.06
FT 30	3284.3	3258.7	3343.0	3300.5		(c)	3894.0	3235.4	3894.0	49.4
FT Govt Securities	108.23	108.20	107.81	107.77		(c)	108.88	93.31	141.84	49.18
FT Fixed Interest	147.15	148.88	146.60	146.93		(c)	147.40	115.32	147.40	50.53
FTSE Gold Mines	899.38	813.21	759.03	735.64	701.58		1281.67	701.58	2074.81	701.58

COMPANIES DIARY

Disposal gain will lift First Pacific

First Pacific, the Hong Kong conglomerate, is today expected to report a six months to June net profit of more than HK$5bn ($645m) compared with HK$800m the year before, although estimates are unreliable and largely irrelevant to the valuation of a company fundamentally changed by its Hagemeyer disposal.

Analysts said the huge exceptional gain from the sale of a 39.7 per cent stake in Hagemeyer would sharply distort the bottom line comparison and radically change the nature of and the outlook for the company's operations.

First Pacific recently sold a 2 per cent stake in San Miguel of the Philippines for HK$540m after what was seen as an abortive attempt at a takeover that resulted in provisions against the original investment. *AFX-Asia, Hong Kong*

Lord Sterling, P&O's chairman: piloting his company through the economic shoals

● Final figures from Billiton are expected to show a strong pre-tax rise, helped by weakness in the South African rand and increased cash balances. BT Alex Brown has highlighted the meeting of the FTSE indices committee on Tuesday. Nick Wilson at the broker expects the shares to bounce strongly on the day of the figures and has told clients: "Billiton will want to reassure current shareholders on the company's performance and remain in the FTSE 100 index. Hence it is likely to pull out all the stops." He forecasts a 34 per cent increase to £582m ($960m) although a consensus of forecasts from First Call shows a figure of £448m pre-tax.

● The strategy at Ibstock, the building materials company, is likely to come under scrutiny when it announces interims. Its largest shareholder, Brierley Investments with a 29 per cent stake, is in a period of change, and that may have an impact on the direction of the company. An underlying advance of some 64 per cent is expected, to £13.9m.

● Chemicals company British Vita said at its annual meeting that the year had started well, so analysts expect a strong result when it reveals interim figures. Strength in continental European markets will probably be offset by sterling strength. Nevertheless, an advance of about 14 per cent to some £36m pre-tax is expected.

● Burmah Castrol, the lubricants and chemicals group, will probably report an interim decline of about 11 per cent to £66.6m in underlying net income, according to BT Alex Brown. Fergus MacLeod at the broker has highlighted sterling strength and the Asian slowdown.

He has told clients: "However, the shares are trading at a 13-year low relative on every major valuation parameter. This ignores the longer-term potential benefits of the most significant refocusing of strategy since the early 1980s under new chief executive Tim Stevenson."

TUESDAY

● Holderbank, the Swiss cement company, is expected to report first-half net profit of SFr250m-SFr270m ($164m-$177m) up from SFr219m a year earlier. After-tax pre-minority net income is forecast at SFr314m-SFr315m against SFr262m, operating profit is forecast at SFr687m-SFr710m, up from SFr592m, and sales are expected to be SFr5.5bn-SFr5.7bn compared with SFr5.27bn.

Holderbank should feel positive impacts from higher capacity utilisation rates among its European cement factories, the continuous optimisation of production costs, and declining refinancing costs.

In Latin America, there may be some problems in Colombia because of a recent price war between a Lafarge-owned unit and one of Holderbank's subsidiaries.

Venezuelan sales might come in slightly lower as well, but the Mexican market remains healthy in both demand and pricing. *AFX-News, Zurich*

● Strong growth in the cruising division is expected to help P&O report an interim rise of about 13 per cent to £135m, although the company's comments on the state of world trade are likely to overshadow the figures.

Any decline in US economic activity would have an impact on the company's container side.

● The strategic review at Associated British Ports is likely to result in some cost savings, and analysts expect this to contribute to an advance of about 7 per cent to a range of £53m-£57m.

There may be an update on its acquisition earlier this year of American Port Services.

WEDNESDAY

● Credit Suisse, the Swiss banking group, is expected to report first-half net profit of SFr1.9bn-SFr1.97bn, including Winterthur Insurance Group, analysts said. Official comparisons are not available because of the Winterthur acquisition.

Analysts expect Credit Suisse to provide more details on the group's Russian activities, but especially on its Credit Suisse First Boston unit, a leading participant in the Russian debt market.

One analyst expected the turbulence to prompt provisions of about SFr820m for the year and there could be additional provisions for the Latin American activities of CSFB.

CSFB said last month that first-half net profit before minorities was $754m against $623m, although net profit before minorities in the year to August 25 fell to $500m as a result of global market difficulties, notably in Russia.
AFX-News, Zurich

● Interim figures from LucasVarity are likely to show exactly how much it suffered as a result of the strike at General Motors in the US, which is a leading customer of the company's braking systems. LucasVarity said last month that it would cost about £11m.

Analysts expect a pre-tax interim figure of some £160m, up from £148m.

THURSDAY

● Rio Tinto is likely to unveil interim figures hurt badly by the fall in world metals prices. The shares have performed badly recently, and they are not expected to do well until Asian and Russian difficulties have abated.

The results are expected to be little changed from last time's £366m.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Fannie Mae(f)★	2bn	Apr 2003	5.75‡	101.59R	5.354	+45(5¼Aug03)	CSFB/Lehman/JPM
GECC‡	275	Sep 2001	(g)	100.00	-	-	Merrill Lynch Intl
DSL Bank★	100	Sep 1999	5.15‡	100.04	-	-	Merrill Lynch Intl
D-MARKS							
Republic of Austria(q)	500	Jul 2003	4.30	101.4606R	3.980	+4(6½Jul03)	Nomura International
STERLING							
European Inv'ment Bank(m)	75	Jun 2002	7.25	102.565	6.443	+45(7%Jun02)	Salomon Smith Barney
YEN							
Freddie Mac(a)★	41.8bn	Oct 1999	4.10(s)	100.00	-	-	Daiwa Europe
ITALIAN LIRE							
World Bank(n)‡	150bn	Sep 2016	(n1)	99.75R	-	-	Sanwa International
Inter-American Dev Bank(o)‡	75bn	Sep 2016	(o1)	100.30R	-	-	Morgan Stanley DW
SWISS FRANCS							
GECC‡	300	Mar 2000	(b)	100.015	-	-	Banque Paribas(Suisse)
ECU/EUROS(e)							
SuedwestLB(c)★	54	Sep 2002	3.70‡	100.00	-	-	Wako Intl(Europe)
SuedwestLB(c)★	48	Sep 2005	4.15‡	100.00	-	-	Wako Intl(Europe)
SNCF	30	Sep 2003	4.00(k)	100.00	-	-	IBJ Intl/New Japan
Republic of Austria(h)	750	Jul 2003	4.30	101.06R	4.049	+5(4½Jul03)	ABN Amro
AUSTRALIAN DOLLARS							
GECC	100	Oct 2003	5.875	101.185	-	-	TD Securities
CANADIAN DOLLARS							
European Investment Bank	100	Oct 2003	5.50	99.46R	5.627	+8(5¼Sep03)	RBC DS Global Markets
LUXEMBOURG FRANCS							
Kredietbank Luxembourg	2bn	Oct 2008	(d)	102.75	4.82	-	Kredietbank Lux
FINNISH MARKKA							
Fennica No 3, Cls A1(j)‡	1.425bn	Nov 2054	(1,)	100.00	-	-	MGB/Leonia Corp Bank
Fennica No 3, Cls A2(j)‡	550	Nov 2054	(2,)	100.00	4.600	+23(3-7yr)	MGB/Leonia Corp Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Redeemed in Y or US$ depending on observation period FX rate. b) 3-mth Libor flat. c) Long last coupon. d) 4⅝% to 28/10/04, 5½% to 06, then 7%. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Fungible with $7bn. Plus accrued. g) 3-mth Libor flat. h) Fungible with Sch40bn once Emu. Plus 59 days accrued. i) Over interpolated yield. j) Secured on Finnish mortgages originated by Housing Fund of Finland. (1) 6-mth Helibor +19bp to May 04, then +75bp if not called. (2) 4.6% to Nov 05, then 6-mth Helibor +75bp if not called. (3) Class B notes of FM77m were privately placed. k) Fungible with DM1bn. Plus 59 days accrued. l) Long 1st coupon. m) Fungible with £600m. Plus 94 days accrued. n) Callable annually from 29/9/03 at par. n1) 10¼% to yr 1, 7% in yr 2, 6% in yr 3, 5½% in yr 4, 5¼% in yr 5, then 15% - 2 x 12-mth Libor. o) Fungible with L150bn. Plus accrued. Callable from 2/9/03 at par. o1)-12% in yr 1, 6% in yrs 2-5, then 15% - 2 x 12-mth Libor. q) Quarterly. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

مكرا من الاصل

CONFERENCES, VENUES AND COURSES

CONFERENCES

September 14 & 16

Defending Your Assets
Intellectual Property Litigation and Securities and Regulatory Law Conference

Organised by PricewaterhouseCoopers, this major two day conference at the Park Lane Hotel in London will feature speakers from the judiciary, the FSA, the LSE, Bird & Bird, Clifford Chance, Diageo, General Motors, IBM, Pepsico, and the WIPO. They will discuss the impact of intellectual property law enforcement on 14th September and debate the different views of securities laws and regulation on 16th.

There is no cost for attending this conference.

For further information contact Helge Butcher.
Tel: 44 (0)171 939 2957

PRICEWATERHOUSECOOPERS

London

September 17

Pensions in the global environment

A National Association of Pension Funds International Conference

Aimed at pensions professionals who will benefit from an insight into international pension issues. Presentations will cover:

- How companies have challenged and resolved international benefits and investment issues
- How countries can strike the right balance between funding and 'pay as you go'
- A closer look at 3 regions and the challenges they present for pensions managers
- How useful is corporate governance proving for company reform and shareholder value?

Contact: Hannah Barker,
Tel: +44 (0)171 730 0585
Fax: +44 (0)171 730 2595
Email: hannah.barker@napf.co.uk

BAFTA, Piccadilly, London

SEPTEMBER 15
Knowledge Management with Dr Peter Honey

Knowledge - an irreplaceable asset which when harnessed gives enormous advantages over competitors. Hear from Peter Honey and case study organisations about knowledge management.
Contact: Alison Williams at The Industrial Society
Tel: 0171 479 1000 Fax: 0171 479 1111

LONDON

SEPTEMBER 24 - 25
Private Financing for Emerging Economies

Seminar on Investment Opportunities in Small and Medium-sized Infrastructure Projects.

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Geneva, SWITZERLAND

SEPTEMBER 28 - 30
EMMSEC 98 European Multimedia, Microprocessor Systems & Electronic Commerce

Theme: "Technologies for the *Information Society.*"

With European Commission support, this eighth conference and exhibition provides an opportunity to learn about emerging technologies, the new business ideas that they generate, as well as new research opportunities.
Contact EMMSEC 98
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Bordeaux, FRANCE

OCTOBER 4 - 9
Bank Financial Management International Seminar

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Banff, CANADA

OCTOBER 5 - 8
Economic and Monetary Union

Topics: exchange rates; the Stability Pact; EMU's implications for business, banking, the 'outs', employment, regions, and public opinion. Interactive international conference with senior speakers and 50 well-informed participants from business and government.
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Near LONDON

October 7

Understanding and Implementing Global Investment Performance Standards

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OCTOBER 8
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Café Royal, LONDON

October 8 - 9

Electronic Commerce: A strategic weapon in a unifying Europe

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October 12 - 16

Global Gemba Kaizen

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TBM

October 13

Profitable Solutions to Environmental Costs

Keynote speaker: The Rt Hon Michael Meacher MP, Minister for the Environment. Bringing together some of the country's foremost authorities on environmental issues, this conference will provide top business leaders and senior executives in the UK with a unique opportunity to meet environmental experts and government officials. Make sure your organisation isn't left behind. Learn how your business can profit from environmental solutions.

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OCTOBER 14 & 15
FT World Mobile Communications Conference

This annual FT conference has once again attracted an international audience of senior executives from the mobile industry. Speakers include: Mr Hans Snook, Orange plc; Dr Jung-Uck Seo, SK Telecom.
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LONDON

October 15

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Conferences, Venues & Courses

October 15

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Contact: Andrew Nathan
Tel: 0171 637 5377
London

The Smith & Williamson Group

OCTOBER 20 & 21
The 2nd Utility Congress - The Competition Audit

A two day conference and exhibition organised by Utility Week magazine will *address key issues facing the utility industry.* Speakers include: Phil Nolan, Transco; Keith Orchison, Electricity Supply Association of Australia; John Easton, Edison; Chris Mellor, Anglian Water; John Roberts, Electricity Association, Mike Bemis, London Electricity
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ANTWERP

November 1 - 3

CBI '98
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CBI

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November 12 - 13

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IFex

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This major FT Conference will review telecoms liberalisation in Morocco and examine new opportunities for foreign business and investment as the market opens up. Supported by the Moroccan *Government,* speakers include key ministers, international operators, equipment suppliers, bankers and investors.
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MARRAKESH

DECEMBER 1 & 2
18th FT World Telecommunications

Competition and convergence will be the two main themes of the 1998 FT World Telecoms Conference. Speakers include Sir Iain Vallance, Chairman, BT plc; Mr Gary Forsee, President and CEO, Global One SA; Mr David Edmonds, Director General, Oftel.
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DECEMBER 7 & 8
The 17th FT World Pulp and Paper Conference

Distinguished speakers include Dr Claes Dahlbäck, President and CEO, Investor AB and Chairman, STORA AB; Mr Martin Granholm, Executive Vice President, UPM-Kymmene Group and Mr John F McGovern, Executive Vice President and Chief Financial Officer, Georgia-Pacific Corporation.
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COURSES

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SEPTEMBER 28 - OCTOBER 1
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CITY OF LONDON

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LONDON

September

Securities Institute Training Directory

The Securities Institute is compiling an electronic training directory, which forms part of the CPD training management software for use in investment firms. For an annual payment of £350 + VAT, a trainer receives a listing of company details, unlimited number of course entries and up to 4 updates per year.

For further details contact Professional Development on 0171 929 0080 by Friday 11th September

SECURITIES INSTITUTE

London

OCTOBER 1 - 2
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CITY OF LONDON

OCTOBER 5 - 9
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CITY OF LONDON

OCTOBER 12 - NOVEMBER 30
FT-City Course

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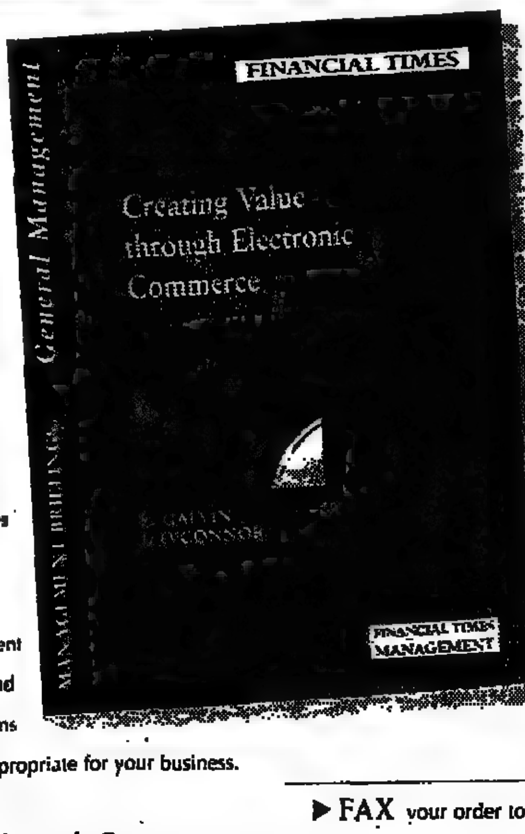

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CURRENCIES & MONEY

Dollar in spotlight

By Richard Adams

The battle for the US dollar looks set to continue this week, after an intense verbal barrage over the weekend.

The New York market is closed today for a public holiday, but interest in the dollar remains high in European and Asian markets.

Sentiment behind the dollar has been knocked in the last two weeks, as the implications for the US of the market turmoil in Russia and (more recently) Latin America have sunk in.

Most currency analysts expected little direction to come from the meeting between Robert Rubin, the US Treasury Secretary, and his Japanese counterpart, Kiichi Miyazawa. Mr Rubin said the US's dollar policy remained unchanged.

"I have said that the strong dollar serves our interest, and that we shared Japanese concerns about the weakness of the yen," Mr Rubin said. There was no "specific or concrete discussion" of exchange rates.

Over the weekend Alan Greenspan, Federal Reserve chairman, also weighed in. "It is just not credible that the United States can remain an oasis of prosperity unaffected by a world that is experiencing greatly increased stress," Mr Greenspan said on Saturday. And yet that – until Russia's devaluation – was just what many analysts expected.

Mr Greenspan said the Fed saw the risks for monetary policy as "more balanced" between a US slowdown caused by international events, and a pick-up in domestic inflation. That suggests the chances of an interest rate rise have receded, but not yet disappeared.

The Federal Reserve next meets on September 29. Friday's labour market report showed a 365,000 rise in new jobs, a figure distorted by the end of the GM strike. "Labour markets are unusually tight, and we should remain concerned that pressures in these markets could spill over to costs and prices," Mr Greenspan said.

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Dt).

POUND IN NEW YORK

Sep 4	—Close—	— Prev. close —
£ spot	1.6705	1.6740
1 mth	1.6670	1.6712
3 mth	1.6625	1.6660
1 yr	1.6450	1.6480

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

EURO CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

Sep 4	£	$
Czech Rp	51.[illegible] - 51.[illegible]	30.[illegible] - 30.[illegible]
Hungary	372.165 - 372.[illegible]	222.[illegible] - 222.780
Iran	[illegible] - [illegible]	[illegible] - [illegible]
Kuwait	0.50[illegible] - 0.5096	0.[illegible] - 0.3041
Peru	5.0930 - 5.1011	3.0440 - 3.0480
Poland	6.1559 - 6.1756	3.6800 - 3.6900
Russia	[illegible] - 32.7200	19.[illegible] - 20.[illegible]
U.A.E.	6.1406 - 6.1505	3.6710 - 3.6730

BANK RETURN

The Bank Return table can be found on page 19 in today's edition.

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.20	95.23	+0.02	95.23	95.20	397	3,533
Dec	95.51	95.54	+0.02	95.54	95.49	135	817
Mar	-	95.63	-	-	95.60	10	[illegible]

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.6150	1.6710	-0.0018	1.6768	1.6652	19,024	49,542
Dec	1.6632	[illegible]	-0.0018	1.6690	1.6576	11,989	25,999
Mar	1.6590	1.6569	-0.0018	[illegible]	1.6610	1	12

BENCHMARK GOVERNMENT BONDS

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Sep 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	[illegible]	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Sep 4, 7.0954pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 28, 1998. Agreed rate for period Sep 23, 1998 to Oct 25, 1998, Scheme II 8.59pc. Reference rate for period Aug 1, 1998 to Aug 28, 1998, Schemes IV & V 7.740pc. Finance House Base Rate [illegible] from Sep 1, 1998.

BANK OF ENGLAND TREASURY BILL TENDER

	Sep 4	Aug 28
Bills on offer	£100m	£100m
Total of applications	£696m	£798m
Total allocated	£100m	£100m
Min. accepted bid	£98.230	£98.230
Allotment at min. level	67%	100%

	Sep 4	Aug 28
Top accepted rate	7.0994%	7.0995%
Ave. rate of discount	7.0954%	7.0995%
Average yield	7.2241%	7.2274%
Offer at next tender	£100m	£100m
Min. accept. bid 28 days	-	-

BASE LENDING RATES

[illegible]

UK GILTS PRICES

[illegible]

EURO PRICES

EQUITIES

Europe's wide range of interests

EUROPEAN OVERVIEW

By Martin Dickson, Financial Editor

When will short-term interest rates converge among countries taking part in European economic and monetary union, coming into effect on January 1?

Although there are just four months left until Emu, the trend over the past few weeks has been towards divergence rather than convergence, both in short rates and the bond market.

A substantial gap between Germany and Italy has opened up in the futures markets' implied short interest rate expectations, while the FT's euro-zone currency convergence table now shows an implied forward rate for Italy of around 4.80 and for Ireland of 5.50, against Germany's 3.50.

Some analysts argue that this may simply be another manifestation of the "flight to quality" seen in bond markets, which has recently widened the spread between German bunds and the so-called "peripheral" Emu participants.

However, the European economics team at ABN-Amro argues that it could also reflect a growing belief in financial markets that full short-rate convergence will not happen by the end of this year, with the European Central Bank fixing the first unified official interest rate in January.

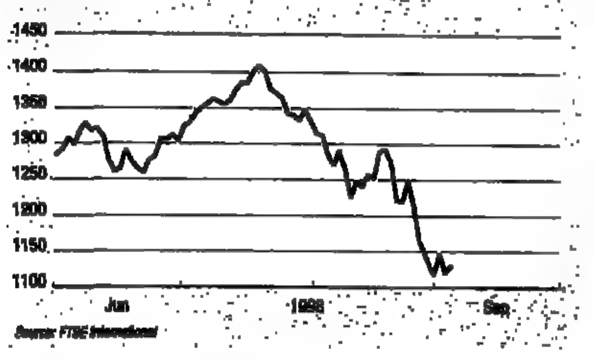
They argue that central banks are prolonging the period of relatively high interest rates in countries such as Ireland, Spain and Portugal, where monetary stimulus is not needed, for domestic economic reasons; and they are also providing support for currencies to prevent undue selling pressure and keep exchange rates against the D-Mark stable.

Peripheral central banks will have to start cutting interest rates as Emu approaches, but ABN-Amro points out that the longer the differentials remain, the greater the potential for arbitrage.

European equity markets this week are expected to remain volatile and strongly influenced by developments in Russian and the tussle on Wall Street between bulls and bears.

The FTSE Eurotop 100 index rose 35.05 points on Friday to end at 2,499.63, while the FTSE Eurotop 300 rose 10.30 to 1,078.39 as markets across Europe rallied.

FTSE Eurotop 300 Eurobloc
Index



Source: FTSE International

FTSE Actuaries Share Indices — European series

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September 04

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total rtn (Ecu)
FTSE Eurotop 300	1078.39	+0.96	+10.30	2.63	22.20	1108.94
FTSE Eurotop 100	2499.63	+1.42	+35.05	2.63	32.84	893.32
FTSE Ebloc 100	900.39	+1.00	+8.87	2.23	13.33	912.16

OTHER INDICES

FTSE EUROTOP 300

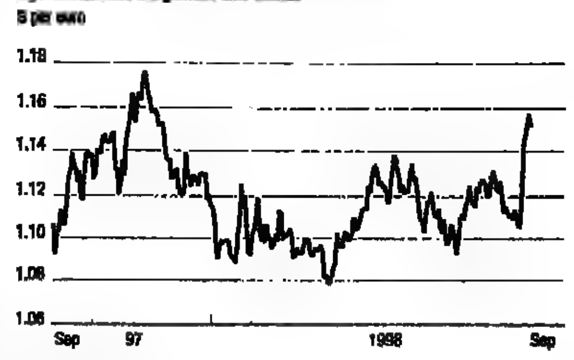
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Sep 04	Currency code	Closing mid point	Change on day	Change on day %	Change on week	Change week %
Europe						
Austria	ATS	14.060296	-0.0010	-0.01	+0.0063	+0.04
Belgium	BEF	41.230141	+0.0082	+0.02	+0.0222	+0.05
Czech Republic	CZK	35.540981	-0.1828	-0.51	-1.3049	-3.54
Denmark	DKK	7.609547	-0.0006	-0.01	-0.0343	-0.45
Finland	FIM	6.079228	-0.0001	+0.00	-0.0018	-0.03
France	FRF	6.700042	+0.0004	+0.01	+0.0037	+0.06
Germany	DEM	1.998252	-0.0001	+0.00	+0.0009	+0.04
Greece	GRD	345.185792	+0.7473	+0.22	+2.5544	+0.75
Hungary	HUF	256.470140	-0.3769	-0.15	+3.6611	+1.45
Ireland	IEP	0.797416	+0.0009	+0.12	+0.0017	+0.21
Italy	ITL	1973.580525	-0.4006	-0.02	-0.2392	-0.01
Luxembourg	LUF	41.230141	+0.0082	+0.02	+0.0222	+0.05
Netherlands	NLG	2.255043	-0.0008	-0.03	+0.0018	+0.08
Norway	NOK	8.876749	-0.0794	-0.89	-0.0753	-0.84
Poland	PLN	4.245126	-0.0264	-0.62	-0.0332	-0.78
Portugal	PTE	204.762543	-0.0870	-0.04	-0.3553	-0.17
Romania	ROL	10354.191344	-47.0462	-0.45	+324.5852	+3.24
Russia	RUB	22.780834	+2.1533	+10.44	+9.8503	+76.18
Slovakia	SKK	40.491708	-0.0367	-0.09	+0.5105	+1.28
Spain	ESP	169.643771	+0.0812	+0.05	-0.6459	-0.38
Sweden	SEK	9.149543	-0.0012	-0.01	-0.0048	-0.05
Switzerland	CHF	1.639759	-0.0020	-0.12	-0.0008	-0.05
United Kingdom	GBP	0.688551	-0.0007	-0.11	+0.0119	+1.76
ECU	ECU	1.013877	-0.0002	-0.02	+0.0020	+0.20
Americas						
Brazil	BRL	1.357058	-0.0078	-0.57	+0.0345	+2.61
Canada	CAD	1.762908	-0.0200	-1.12	-0.0121	-0.68
Mexico	MXN	11.684177	-0.0405	-0.35	+0.4121	+3.66
United States	USD	1.152002	-0.0068	-0.58	+0.0278	+2.46
Pacific/Middle East/Africa						
Australia	AUD	1.962685	-0.0366	-1.83	-0.0239	-1.20
Hong Kong	HKD	8.914785	-0.0651	-0.73	+0.2009	+2.31
Japan	JPY	154.754149	-1.1340	-0.73	-5.2360	-3.40
Singapore	SGD	2.014275	-0.0189	-0.93	+0.0145	+0.73
South Africa	ZAR	7.170900	-0.0284	-0.39	-0.1039	-1.43

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0165, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar
$ per euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

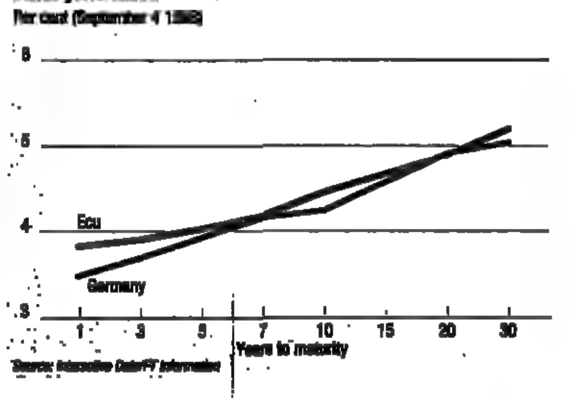
Bilateral conversion rates against the D-Mark

Sep 04	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0363	-0.01	+0.01	7.0369	3.55	+0.03
Belgium	20.6255	20.633	+0.04	+0.03	20.6325	3.51	-0.01
France	3.35386	3.3529	-0.03	-0.04	3.3534	3.57	+0.05
Finland	3.04001	3.0423	+0.08	+0.15	3.0424	3.53	+0.01
Ireland	0.402676	0.399	-0.91	-1.07	0.4016	5.55	+2.03
Italy	990.002	987.6484	-0.24	-0.18	991.5386	4.84	+1.32
Luxembourg	20.6255	20.633	+0.04	+0.03	20.6325	3.51	-0.01
Netherlands	1.12674	1.1286	+0.16	+0.12	1.1281	3.41	-0.11
Portugal	102.505	102.4703	-0.03	+0.18	102.6789	4.15	+0.63
Spain	85.0722	84.8957	-0.21	+0.22	85.1013	4.27	+0.75
Germany	1		+0.00	+0.00		3.52	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3, forward rates are exchange rates to 31/12/98 interpolated from market quotes, forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve
Per cent (September 4 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Sep 04	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	109.440	4.51	+0.04	-0.30	+0.06
France (Rep of)	04/08	5.250	N/A	106.730	4.37	+0.01	-0.33	-0.08
Italy (Rep of)	05/08	8.000	AA	103.160	4.59	-0.02	-0.22	+0.14

GOVERNMENT BOND SPREADS vs ECU

EUROZONE CREDIT SPREADS vs ECU

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ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Allied Domecq	†N	503	-.6	Q24.73	1.7	5,256	11.5	1550
Bulmer (HP)		337½xd	—	15.0	1.5	178.2	10.8	2005
Burn Stewart	‡	31	4.5	1.7	–	6.52	27.10	1518
Diageo	‡†	586	-3.1	18.6	1.3	21,825	30.3	2791
Glenmorangie A		830	-1.2	14.2	3.0	112.8	17.7	3257
B		925	-1.7	7.1	3.0	37.0	13.7	3258
Highland	†	230½	-1.3	9.0	2.4	307.9	5.5	2880
5¾pc Cv Sb Bd		94	-.5	Q5¾%	–	46.1	5.7	3823
Kirin Y		469¼	2.6	Q24%	–	4,944	25.12	1119
Matthew Clark	‡	141½xd	-3.4	13.0	2.3	125.2	3.8	2153
Merrydown		35½	-5.3	–	–	9.41	7.57	3282
Seagram C$		£18½	-4.4	Q66c	–	6,636	28.5	–

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
ABN Amro Fl		£13¼	-1.7	Q84%	2.2	18,305	7.5	1010
ANZ A$		300	-2.7	Q49c	♦	4,471	12.96	–
Abbey National	†	1093xd	-2.4	32.25	2.1	15,455	19.8	5411
Alliance & Leicester	‡†	858½	-6.4	22.4	2.4	5,002	14.4	5800
Allied Irish IE	‡†	712	-12.7	Q58.9%	2.4	6,124	2.5	1354
Anglo Irish IE	‡†	141½	-1.0	Q20%	2.4	385.2	12.5	1355
Asahi Y		198	16.4	Q12%	♦	4,599	25.2	3049
Banco Bilbao Viz Pta	s	£7½	-5.0	Q63%	2.3	5,116	13.7	–
Banco Santander Pta	†	£18½	-2.3	Q14%	1.9	12,154	5.4	–
Bank Ireland IE	‡	900	-4.6	Q28½%	3.0	4,821	24.11	1368
Bank Scotland	‡	600	-1.2	9.88	2.9	7,392	5.5	1742
9¼pc Ird Pf		189½	0.1	9¼%	–	508.5	5.5	1462
9¼pc Ird Pf		178½	0.1	9¼%	–	178.5	6.5	1595
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[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt capital	Last xd	City line
Approved by the Inland Revenue								
[illegible]								

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

GUIDE TO LONDON SHARE SERVICE

[illegible]

a Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
j Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

official estimates for 1999.
K Dividend based on prospectus or other official estimates for 1998
L Estimated annualised dividend, cover based on latest annual earnings.

W Pro forma figures.
Z Dividend total to date.

Abbreviations:
, ex dividend;
, ex scrip issue;
, ex rights;
, ex all;
, ex capital distribution

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FT Share Service

The following changes have been made to the FT Share Information Service: Deletions: Gibbon (Chem), Scholl (Hlth), Martin Currie Euro Warrants (InIT), EW Fact (SpSv).

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

BT Fund Managers (Ireland) Ltd (a)

[illegible]

Lazard Investment Funds Ltd

[illegible]

Baring International Fd Mgrs (Ireland) Ltd

[illegible]

Murray Johnstone (Dublin) Ltd

[illegible]

Daiwa Europe Fund Mgrs Ireland Ltd - Contd.

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Ulster Bank Investment Services

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

هكذا من الاصل

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

Bank Von Ernst & Cie AG

GT Global

Barclays Diversified Portfolio (z)

Barclays Inv Funds (Luxembourg)

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Royal & Sun Alliance Intl Financial Srvs

Asian Convertibles & Income Fd (Cayman)

Darier Hentsch Fund Management SA

Gizzo Capital Limited

Indocam Asia

Magnum Funds - Contd.

PRS International

Societe Generale Group

OTHER OFFSHORE FUNDS

AXA Asset Management

Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 4 / Sch)

BELGIUM/LUXEMBOURG (Sep 4 / Frs.)

CZECH REP (Sep 4 / Koruna)

DENMARK (Sep 4 / Kr)

FINLAND (Sep 4 / Mka)

FRANCE (Sep 4 / Frs.)

GERMANY (Sep 4 / Dm.)

GREECE (Sep 4 / Drachma)

ITALY (Sep 4 / Lira)

NETHERLANDS (Sep 4 / Fls.)

NORWAY (Sep 4 / Kroner)

POLAND (Sep 4 / Zloty)

PORTUGAL (Sep 4 / Escudo)

SPAIN (Sep 4 / Pts.)

SWEDEN (Sep 4 / Kronor)

SWITZERLAND (Sep 4 / Frs.)

TURKEY (Sep 4 / Tk.Lira)

PACIFIC

JAPAN (Sep 4 / Yen)

HONG KONG (Sep 4 / H.K.$)

INDONESIA (Sep 4 / Rupiah)

MALAYSIA (Sep 4 / MYR)

NEW ZEALAND (Sep 4 / NZ $)

SINGAPORE (Sep 4 / S$)

AUSTRALIA (Sep 4 / Aust$)

SOUTH KOREA (Sep 4 / Won)

TAIWAN (Sep 4 / TW $)

THAILAND (Sep 4 / Baht)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY SEPTEMBER 3 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	WEDNESDAY SEPTEMBER 2 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	168.66	-15.6	149.00	143.67	151.47	193.88	-5.1	3.88	170.00	150.94	146.11	154.73	193.85	238.24	163.86	223.02
Austria (22)	181.89	-3.8	160.38	154.66	163.06	162.97	-7.7	2.06	184.65	163.05	160.88	168.07	167.97	253.73	161.80	195.83
Belgium (22)	367.20	44.3	323.81	312.24	329.19	322.12	38.5	2.13	364.20	323.38	317.31	331.50	324.30	398.52	234.33	244.38
Brazil (26)	130.56	-45.2	115.13	111.02	117.05	283.05	-42.2	4.05	141.07	125.70	123.43	128.85	306.82	308.50	130.66	284.87
Canada (119)	176.31	-17.0	155.48	149.92	158.06	196.42	-10.8	2.05	174.50	154.94	152.04	158.84	195.42	248.78	167.18	215.64
Denmark (34)	468.42	4.7	413.07	398.30	419.93	418.38	0.4	1.55	472.83	419.84	411.97	430.38	428.53	537.33	375.32	382.09
Finland (28)	396.26	42.3	349.43	336.94	355.24	436.26	37.1	2.11	398.50	354.80	348.15	363.71	446.72	506.46	267.58	292.31
France (78)	292.02	22.0	257.52	248.31	261.80	284.83	17.3	2.38	293.32	260.44	256.56	266.09	270.04	345.18	217.58	225.71
Germany (55)	259.99	13.3	229.26	221.07	233.07	233.07	8.7	1.37	264.29	234.67	230.27	240.56	240.56	325.81	204.80	222.74
Greece (37)	249.19	0.0	219.75	211.89	223.40	530.94	0.0	1.77	257.05	228.24	223.96	233.97	551.38	333.20	243.18	-
Hong Kong, China (66)	209.31	-41.4	184.58	177.98	187.65	208.24	-41.4	7.38	208.82	185.24	181.78	189.80	207.58	527.00	198.84	510.44
Indonesia (26)	27.69	-58.1	24.42	23.54	24.82	187.68	-15.7	3.49	27.91	24.79	24.32	25.41	186.66	174.57	23.58	141.38
Ireland (16)	413.66	3.0	364.79	351.75	370.86	400.62	0.9	2.37	415.64	369.06	362.14	378.33	408.44	560.44	350.60	365.55
Italy (54)	148.31	26.1	130.78	126.11	132.96	186.67	21.4	1.55	150.91	133.90	131.39	137.27	194.09	184.49	100.95	101.28
Japan (480)	85.74	-10.0	75.61	72.91	76.86	72.91	-6.9	1.08	84.00	74.58	73.19	76.48	73.19	125.38	76.40	123.02
Malaysia (108)	89.13	-45.8	78.60	75.79	79.90	130.44	-47.1	4.70	83.53	74.17	72.78	76.03	122.25	384.86	73.52	298.12
Mexico (29)	898.32	-50.2	792.17	763.86	805.34	9837.17	-37.5	2.74	931.68	827.26	811.75	848.03	10140.09	1901.98	873.28	1743.65
Netherlands (27)	465.75	13.6	410.71	396.03	417.54	413.80	9.1	2.23	470.37	417.65	409.82	428.14	424.15	582.38	305.56	411.07
New Zealand (14)	49.47	-36.3	43.62	42.06	44.35	52.48	-24.0	5.05	51.02	45.30	44.45	46.44	53.86	95.87	49.47	87.60
Norway (38)	208.82	-34.6	184.15	177.58	187.21	219.05	-31.5	2.88	218.87	194.34	190.89	199.22	229.28	374.04	208.82	227.76
Philippines (22)	47.61	-40.0	41.99	40.49	42.68	102.98	-34.7	1.59	47.70	42.35	41.56	43.41	103.16	115.92	46.36	100.52
Portugal (18)	246.65	0.0	217.50	209.73	221.12	298.42	0.0	1.09	245.17	217.60	213.61	223.19	300.84	280.39	235.61	-
Singapore (41)	103.87	-50.9	91.60	88.32	93.12	83.98	-52.0	3.60	107.77	95.69	93.09	98.09	86.49	381.17	103.87	290.99
South Africa (38)	159.23	-40.0	140.42	135.40	142.75	218.22	-23.4	4.14	162.08	143.92	141.22	147.53	220.09	348.20	151.55	337.79
Spain (31)	327.19	20.4	288.53	278.22	293.32	362.69	15.6	2.10	328.76	291.91	286.44	299.24	369.83	417.73	206.28	246.76
Sweden (48)	473.30	0.6	417.37	402.45	424.31	553.27	0.3	2.12	485.39	430.91	422.83	441.73	571.06	628.19	439.98	488.12
Switzerland (28)	371.05	8.9	327.21	315.51	332.65	325.90	5.8	1.28	376.69	334.47	328.20	342.87	338.83	439.48	280.19	295.82
Thailand (36)	8.55	-55.7	7.54	7.27	7.67	13.53	-62.5	0.97	8.15	7.24	7.10	7.42	12.86	45.52	8.15	37.68
United Kingdom (209)	335.54	1.1	295.89	285.31	300.81	295.89	-1.0	3.35	340.59	302.41	296.74	310.01	302.41	401.84	303.41	308.49
USA (624)	400.20	1.0	352.92	340.30	358.78	400.20	1.0	1.63	404.05	358.78	352.04	367.77	404.05	465.66	358.31	377.16
Americas (798)	357.07	-0.8	314.87	303.62	320.11	302.85	-0.4	1.67	360.45	320.05	314.05	328.00	305.76	437.03	326.79	344.35
Europe (746)	318.69	16.3	281.21	271.15	285.86	292.81	6.8	2.32	322.98	286.78	281.41	293.98	300.20	366.94	256.80	271.58
Eurobloc (351)	92.78	0.0	81.82	78.90	83.18	90.00	0.0	1.91	93.68	83.18	81.62	85.27	92.23	113.28	90.82	-
Nordic (149)	428.74	4.0	378.08	364.57	384.36	432.56	2.6	2.06	437.57	388.53	381.24	398.28	445.56	556.97	368.51	416.56
Pacific Basin (883)	89.37	-13.6	78.81	76.00	80.12	77.24	-12.3	1.66	87.90	78.05	76.59	80.01	77.44	142.11	83.28	138.78
Euro-Pacific (1609)	184.96	1.3	163.10	157.27	165.81	158.34	0.2	2.20	185.84	165.01	161.92	169.16	161.35	220.10	172.03	194.20
North America (743)	385.30	0.2	339.77	327.62	345.41	386.30	0.5	1.65	388.71	345.14	338.67	353.81	389.79	466.20	349.06	367.12
Europe Ex. UK (537)	299.54	15.3	264.14	254.70	268.53	262.23	11.3	1.93	303.07	269.10	264.06	275.86	269.79	368.52	236.86	264.82
Europe Ex. Eurobloc (395)	88.54	0.0	78.32	73.59	77.58	85.26	0.0	2.78	87.95	78.09	76.63	80.06	87.45	103.93	88.54	-
Europe Ex. UK Ex. Eurobloc (188)	88.78	0.0	78.29	75.49	79.58	88.48	0.0	1.57	90.43	80.30	78.79	82.32	89.33	109.21	87.93	-
Pacific Ex. Japan (383)	132.63	-33.6	116.96	112.78	118.91	142.04	-28.7	5.24	132.68	117.81	115.60	120.76	141.39	287.15	128.26	289.50
World Ex. Eurobloc (2095)	85.57	0.0	75.46	72.76	76.71	85.06	0.0	1.92	86.15	76.50	75.07	78.42	86.96	103.18	83.03	-
World Ex. US (1822)	184.23	-1.1	162.46	156.66	165.16	162.20	-1.5	2.22	185.15	164.40	161.32	168.53	165.29	221.91	175.20	188.39
World Ex. UK (2237)	246.13	-0.2	217.05	209.29	220.66	224.57	-0.1	1.74	247.71	219.95	215.82	225.47	227.47	298.02	234.24	250.47
World Ex. Japan (1966)	337.42	1.3	297.55	286.91	302.49	329.03	0.7	2.02	340.97	302.75	297.07	310.35	334.79	411.23	309.39	322.50
The World Index (2446)	253.74	-0.1	223.76	215.76	227.47	231.08	-0.2	1.92	255.60	226.95	222.70	232.65	234.29	308.58	241.20	255.56

 CONSTITUENT CHANGES DURING THE WEEK ... PLEASE NOTE: DUE TO TECHNICAL PROBLEMS A CURRENT TABLE IS UNAVAILABLE. FOR FURTHER INFORMATION PLEASE CONTACT FTSE INTERNATIONAL ON 0171 448 1800.

Emerging markets: IFC Investable indices

Dollar terms

Sep 2

Market

Latin America, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela, East Asia, China, India, Indonesia, Korea, Malaysia, Pakistan, Philippines, Sri Lanka, Taiwan, China, Thailand, Europe, Czech Rep, Greece, Hungary, Poland, Portugal, Russia, Slovakia, Turkey, Mideast/Africa, Egypt, Israel, Jordan, Morocco, S Africa, Zimbabwe, Regions, Composite, Latin America, Asia, EMEA, Europe, Eastern Europe, ME & Africa

AFRICA

SOUTH AFRICA (Sep 4 / Rand)

AMERICAS

CANADA

TORONTO (Sep 4 / Can $) 4 pm close

MONTREAL (Sep 4 / Can $) 4 pm close

MEXICO (Sep 4 / Peso) 12:30 pm

4 pm close September 4

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Price	Chng Prev. Close
110½	59¾	Xerox x	1.44	1.6	24	15842	92¾	87¼	88⅞	-1⅝
68⅛	45½	Xtra Corp			16	55	57[illegible]	57⅛	57⅛	-⅛
28[illegible]	22½	Yankee Egy x	1.30	5.8	18	61	23[illegible]	23[illegible]	23[illegible]	
52¾	33	York Int	0.48	1.4	28	1441	34½	33⅝	33¾	-¾
24[illegible]	8⅞	Zapata	0.28	2.5	3	818	11¼	10¼	11	+¾
39½	22⅝	Zenith Nat	1.00	4.2	14	10	23¾	u23⅞	23[illegible]	-⅛
9[illegible]	6[illegible]	Zweig Inc	0.70	11.1		208	6¾	6[illegible]	6¼	
14[illegible]	9⅞	ZweigFdA	1.24	12.1		344	10[illegible]	10½	10¼	+[illegible]
9[illegible]	8¼	Zweig Tot	0.84	9.8		845	8[illegible]	8[illegible]	8½	

Price data supplied by Exel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 4	Sep 3	Sep 2	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	7640.25	7682.22	7782.37	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.00	105.22	105.19	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	2818.75	2824.47	2702.55	3686.02 (16/4)	2616.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	271.87	272.38	272.87	285.40 (8/7)	262.66 (9/1)	285.40 (8/7/98)	10.50 (8/7/32)

DJ Ind. Day's high (4) (7841.58) Low (4) (7480.60) (Theoretical)
Day's high 7760.75 (7781.34) Low 7485.81 (7578.46) (Actual)

Standard and Poors	Sep 4	Sep 3	Sep 2	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	973.89	982.26	990.48	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials‡	1165.73	1170.34	1175.34	1380.46 (17/7)	1077.40 (9/1)	1380.46 (17/7/98)	3.52 (30/6/32)
Financial‡	102.89	106.56	109.60	147.68 (14/7)	102.89 (4/9)	147.68 (14/7/98)	7.13 (4/8/74)
Others							
NYSE Comp.	485.31	489.89	494.63	600.75 (17/7)	480.60 (31/8)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	602.71	598.70	602.81	758.67 (22/4)	585.07 (31/8)	758.67 (22/4/98)	524.20 (18/7/98)
NASDAQ Comp	1566.52	1571.86	1592.85	2014.25 (20/7)	1499.22 (31/8)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	347.07	348.29	352.65	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	125.38 (7/12/90)

RATIOS

	Aug 28	Aug 21	Aug 14	Year ago
Dow Jones Ind. Div. Yield	1.84	1.44	1.75	1.71
	Sep 2	Aug 26	Aug 19	Year ago
S & P Ind. Div. yield	1.47	1.33	1.32	1.52
S & P Ind. P/E ratio	28.84	30.83	31.03	25.11

US DATA

MARKET ACTIVITY

Volume (million)	Sep 4	Sep 3	Sep 2
NYSE	781.978	880.590	894.090
Amex	36.230	40.439	35.783
NASDAQ	695.625	758.855	943.080

NYSE	Sep 4	Sep 3	Sep 2
Issues Traded	3,480	3,520	3,589
Rises	1,475	1,001	1,877
Falls	1,518	2,091	1,255
Unchanged	489	425	407
New Highs	12	11	20
New Lows	382	485	282

NYSE TRADING ACTIVITY

Volume : 781,978,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Travir	13,781,300	38¼	−1⅞
Chapell	17,272,700	45⅞	−4
Telebras	8,765,300	60⅜	−4⅛
Philip	8,643,300	42	−⅞
Citicp	8,600,400	92⅜	−4⅛
GenElec	8,172,400	75⅝	−2⅝
Pfizer	7,736,100	95⅝	−4⅜
PhSvEG	7,558,400	35	−1⅝
LucentTch	7,552,100	76⅝	−2⅝
Schlmb	5,030,100	50	+2⅝

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
MovementG	21⅛	+3⅜	+19.6
Global Mar	11⅝	+1⅞	+18.8
MentorM	20	+2⅝	+15.0
Fle	10⅝	+1⅛	+14.1
Downs			
EquCos	42½	−6⅝	−13.4
FRTPLUS	20	−3	−13.0
FrnkRe	26⅜	−3⅛	−10.6
Alumax	51⅛	−4⅞	−8.6

NASDAQ TRADING ACTIVITY

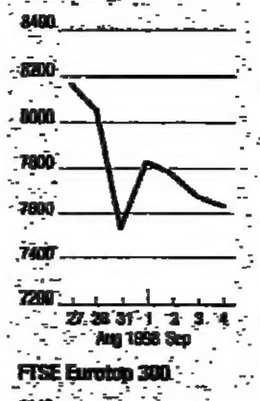
Volume : 926,925,000

ACTIVE STOCKS

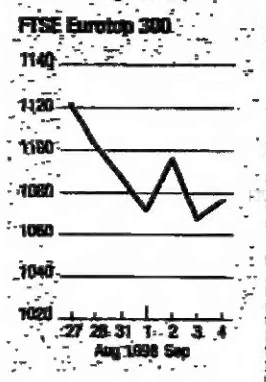
Friday
DellComp
CmbTch
Intel
Micsft
CiscoSys
WorldCm
Oracle
PeopleSoft
TCI GpA
3Com

BIGGEST MOVERS

Dow Jones



FTSE Eurotop 300



JAPAN

TOKYO TRADING ACTIVITY

ACTIVE STOCKS

BIGGEST MOVERS

GERMANY

FRANKFURT TRADING ACTIVITY

ACTIVE STOCKS

BIGGEST MOVERS

FRANCE

PARIS TRADING ACTIVITY

ACTIVE STOCKS

BIGGEST MOVERS

UK

LONDON TRADING ACTIVITY

ACTIVE STOCKS

BIGGEST MOVERS

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low
Sep	985.40	976.00	−9.50	994.00	965.00
Dec	999.00	985.80	−9.60	1004.00	968.20

Nikkei 225	Open	Sett price	Change	High	Low
Sep	14050.0	14010.0	−190.0	14180.0	13980.0
Dec	14000.0	13920.0	−210.0	14070.0	13910.0

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

THE NASDAQ STOCK MARKET

4 pm close September 4

AMEX PRICES

4 pm close September 4

EASDAQ

FT GUIDE TO THE WEEK

MONDAY 7

China rights

Mary Robinson, United Nations human rights high commissioner and former Irish president, begins a 10-day visit to China which, she believes, has been permitted because the country is now prepared to address human rights "with reference to international standards and norms". She is expected to visit the Tibetan capital of Lhasa, the region where Beijing has been criticised for human rights violations.

Round table focus

David Trimble, Northern Ireland's first minister, hosts round table talks with representatives of the political parties due to form the Northern Ireland Assembly, which meets for the first time later this month.

Patent problems

The 171 members of the World Intellectual Property Organisation meet in Geneva (to September 15) to discuss, among other things, the organisation's budget, the need for extra space for its burgeoning files and

staff, and the problems posed by the development of electronic commerce. The meeting will coincide with the opening of the WIPO visitors' centre, featuring an exhibition on women inventors. Unlike other United Nations bodies, the WIPO enjoys a rising income thanks to international patent fees.

Azerbaijan talks

The Azerbaijan foreign ministry hosts an international conference organised by the European Union in Baku on the TRACECA programme to create an east-west road, rail and ferry network linking central Asia to Europe via the Caucasus. The simmering Nagorny-Karabakh conflict is an obstacle to the scheme and the EU has called for the talks in a bid to resolve it.

Computer speak

Bill Gates, Microsoft chief, and Gerhard Schulmeyer of Siemens Nixdorf are among speakers at the second day of the European IT Forum in Paris. Full programme on *http://www.idcresearch.it/forum/itforum/*

Warning message

Scientists, policymakers and local government officials from more than 70 countries meet in Potsdam, Germany, to discuss early warning systems for the reduction of natural disasters. The five-day conference, hosted by the German government and convened by the International Decade for Natural Disaster Reduction (1990-2000), will review the latest early-warning technology and ways of strengthening effective responses.

Farnborough take-off

The Farnborough International airshow opens and runs until September 13 at the southern UK airfield.

Holidays

Brazil, Canada, US.

TUESDAY 8

Truck trouble

French truck drivers are scheduled to begin another series of strikes and blockades on roads across the continent. They are protesting against changes in working conditions and may be joined by Spanish drivers.

Candidates clash

A six-way debate will be held in St Paul's Parish Church, Washington, between candidates vying to replace Marion Barry, the city's mayor.

Chinese deputy

Wu Bangguo, China's deputy prime minister, arrives in Caracas for an official visit before travelling on to Peru, Colombia and Argentina (to September 23).

Holidays

Lithuania, Macedonia, Malta.

FT Survey

Business Books.

WEDNESDAY 9

UN date change

The next regular session of the United Nations General Assembly opens – a change from its customary opening of the third Tuesday in September. This will allow delegates more time to discuss the agenda and organise their work before the scheduled September 21 start of the general debate, in which foreign ministers and other senior officials deliver policy statements.

Goodwill exchange

Japan-Russia Friendship Forum 21, a Japanese economic and international exchange group, is launched with the aim of promoting exchanges in various fields between the two countries. It will send a delegation to Russia to organise symposiums and other events to introduce Japanese culture from this autumn and offer private-sector support for the signing of the bilateral peace treaty to bring to a formal end the second world war.

Developing world

The annual Human Development Report, commissioned by the UN Development Programme, analyses the impact of consumption on the environment and quality of life. This year's report says the world will consume a record $24,000bn in goods and services in 1998, and ranks Canada first among 174 countries according to the level of human development.

French cuts

France's 1999 budget bill, which aims to cut the deficit to about FFr240bn ($39bn) from FFr258bn in 1998, will be presented to the cabinet.

Holiday

Palestinian Authority.

THURSDAY 10

Fun with derivatives

The International Forum for Derivative Markets begins its three-day annual talkfest in Burgenstock, Switzerland, mixing earnest discussion on such issues as "The virtual instruments behind real value-added" with some upmarket relaxation. The conference ends with a gala dinner regaled by the Singing Waiters while the "special companion programme" offers "creativity with scissors".

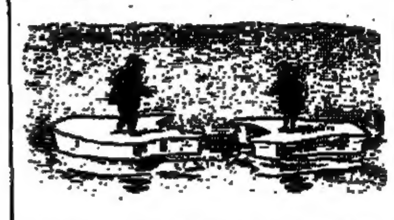
FT Surveys

The Business of Travel; World Energy Review.

FRIDAY 11

Batchelor party

Anchorage, Alaska, opens its doors to the single women of America who are



invited to meet Alaska's most eligible batchelors at the fifth annual National Singles Convention.

Ceasefire talks

The Guinea-Bissau government and rebel representatives meet in Abidjan to discuss the deployment of observers to supervise their ceasefire agreement that was signed on August 26. They may also discuss the withdrawal of Sengalese and Guinean troops who backed forces loyal to President Joao Bernardo Vieira (to September 12).

Games begin

The Commonwealth Games begin in Kuala Lumpur (to September 21).

Holidays

Spain, Pakistan, Chile.

FT Survey

Future of European Retirement Provision.

SATURDAY 12

Bosnians vote

Bosnian general elections are held, supervised by the Organisation for Security and Co-operation in Europe, together with votes for assemblies in Bosnia's two post-war autonomous regions.

Paving the way

Masahiko Komura, Japan's foreign minister, is expected to leave for Russia to meet Boris Yeltsin, Russian president. They will discuss details for the planned visit in November of Keizo Obuchi, Japan's prime minister. They will also talk about bilateral relations between Japan and Russia, and the economic situation in both countries, including Russia's currency crisis.

Sails force

The 30th annual Southampton Boat Show opens and runs until September 20 with 800 vessels on show, ranging from the Sunseeker Manhattan 60 at £1.95m to craft costing less than £200.

SUNDAY 13

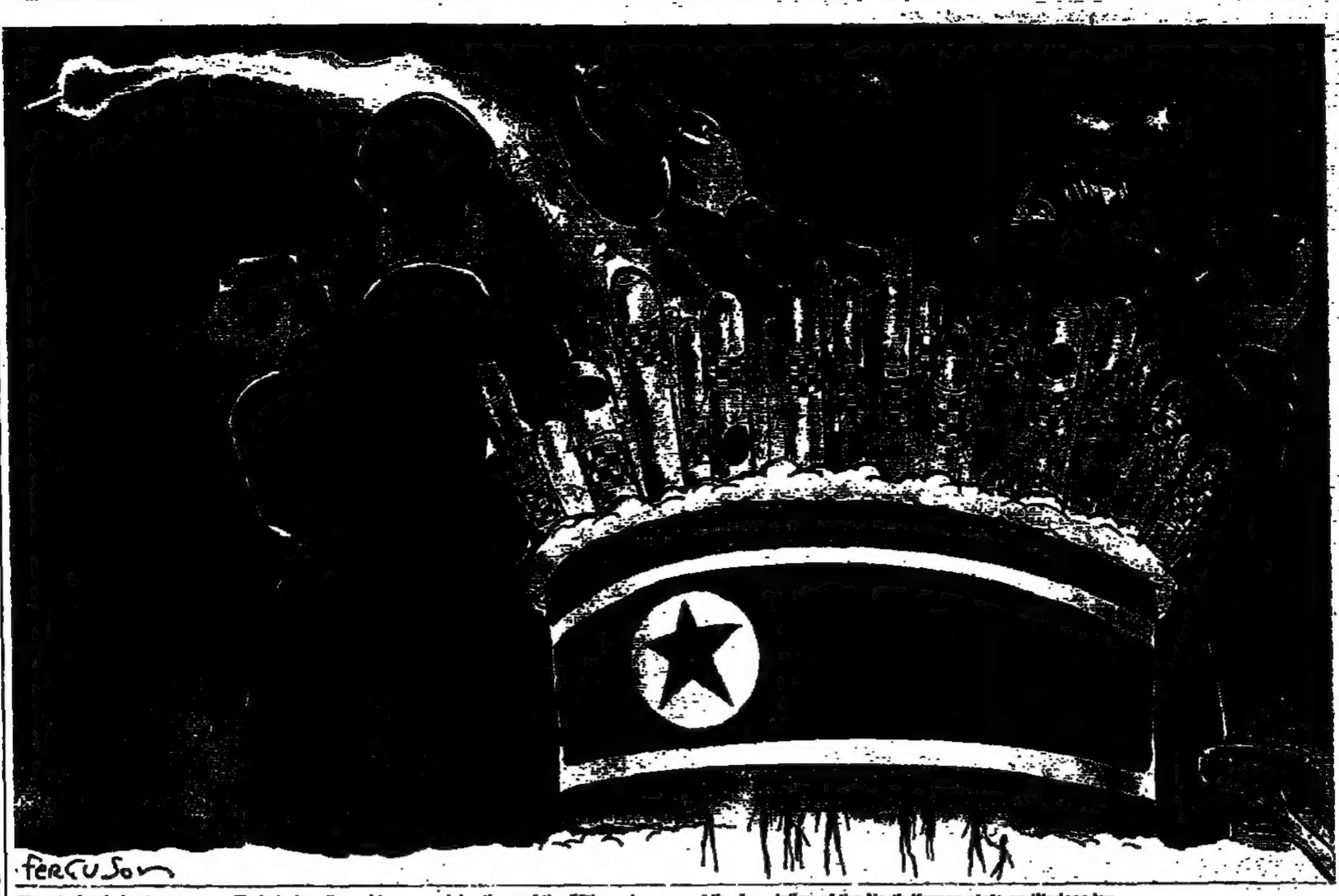
German test-vote

Elections in Bavaria, Germany's geographically-largest state, provide an important test of voter opinion ahead of federal elections on September 27. The state's Christian Social Union, which hopes once again to win more than 50 per cent of the vote, is the sister party of Chancellor Helmut Kohl's Christian Democratic Union. Edmund Stoiber, Bavaria's prime minister, has run a campaign based largely on the state's economic success.

Sumo season

The 15-day autumn grand sumo tournament starts in Tokyo. Takanohana, yokozuna grand champion, will be seeking the Emperor's cup for the second time after winning the Nagoya tournament in July with a record of 14-1. He will take over the prestigious east yokozuna spot, replacing Akebono, the Hawaiian yokozuna.

Compiled by Roger Beale
Fax 44 171 873 3196



Chronic food shortages are unlikely to be allowed to mar celebrations of the 50th anniversary of the foundation of the North Korean state on Wednesday

ECONOMIC DIARY

Other economic news

Monday: Japanese wholesale prices are expected to have been flat in August and down on a year ago.
Tuesday: US consumer credit growth probably slowed in July because strikes weakened vehicle sales. The fall in German unemployment is forecast to have slowed slightly in August. Factory output in the UK is thought to have dropped in July.
Wednesday: Economic growth is thought to have slowed in the second quarter in Germany. The Bank of England begins its two-day interest rate setting meeting.
Thursday: The Northwest Airlines strike should have pushed up weekly unemployment claims in the US. The Japanese trade surplus may have narrowed slightly in July, while the economy probably shrank in the second quarter. Better weather may have cheered British retailers last month.
Friday: Core wholesale price inflation in the US is forecast to have been stable last month. Inflation in France is thought to have been steady last month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Italy	July producer price index **	0.3%	0.4%
Sep 7	Sweden	August unemployment	7.4%	8.0%
	Germany	July ind prod pan *	1.0%	-1.2%R
	Germany	July man output pan *	1.4%	-1.5%R
	Japan	August trade bal (1st 20, nsa)		Y233bn
	Japan	Aug overall wholesale price index *	0.3%	0.0%
	Japan	Aug overall wholesale price index **	-0.1%	-0.3%
Tues	Switz	August unemployment rate	3.3%	3.5%
Sep 8	Italy	Aug final consumer price index **	1.9%	1.8%
	Germany	August unemployment sa pan	-30K	-37K
	Germany	August unemployment sa west	-20K	-23K
	Germany	August unemployment sa east	-15K	-14K
	UK	July ind prod *	-0.1%	0.7%
	UK	July ind prod **	-0.7%	0.2%
	UK	July manuf output *	-0.3%	-0.1%
	UK	July manuf output **	-1.1%	-0.2%
	US	July consumer credit	$3.0bn	$6.7bn
Wed	Germany	Q2 gross domestic prod pan (BBK)★	0.2%	1.0%
Sep 9	Germany	Q2 GDP pan (stats off) **	1.9%	3.6%
	Germany	Q2 GDP west (BBK) ★		1.1%
	Germany	Q2 GDP east (BBK) ★		-0.3%
	Germany	Q2 GDP west (Stats) **		3.8%
	Germany	Q2 GDP east (Stats) **		4.0%
Thurs	UK	August CBI dist trades		6%
Sep 10	Japan	July mach orders ex elec & ship **	-23.4%	-16.6%
	Japan	July mach orders ex elec & ship *	-2.7%	5.8%
	Aust	Aug employment (000s)	11.5	10.5
	Aust	Aug unemployment rate	8.3%	8.3%
	New Zeal	Q2 import price index	2.0%	-0.1%
	New Zeal	Q2 export price index	2.0%	2.0%
	UK	August M4 (prov)	0.8%	1.0%
	UK	August M4 (prov) **	11.7%	12.0%
	US	July initial claims (09/05) jobless		302K
	US	Q2 current account		-$47.2bn
	US	Aug monthly M2		$17.1bn
Fri	Germany	July retail sales real nsa **	1.0%	-2.7%
Sep 11	Germany	July retail sales real sa *	1.5%	-3.1%
	France	June current account sa	17bn	21.7bn
	France	Aug consumer price index (prel) *	0.2%	-0.4%
	France	Aug consumer price index (prel) **	0.7%	0.8%
	Japan	Sep BoJ monthly econ report		
	Japan	Q2 gross domestic product (SAAR)	-0.9%	-5.3%
	US	Aug producer price index	unch	0.2%
	US	Aug PPI ex food & energy	0.1%	0.1%
	US	Aug bank credit		5.1%
	US	August C&I loans		7.5%
Sun	Japan	July current account (IMF, nsa)	Y1.4tn	Y882bn
Sep 13	Japan	July trade balance (IMF, nsa)		Y1.05tn
	Japan	July foreign bond investment		Y576bn

*month on month, **year on year, ★ quarter on quarter. Statistics, courtesy Standard & Poor's MMS.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on [illegible] / Final Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TB use of system price £/MWh
0030	11.65	9.25	9.36	0.00
0100	11.59	9.33	9.30	0.00
0130	11.55	7.00	7.00	0.00
0200	12.59	7.00	7.00	0.00
0230	12.65	7.00	7.00	0.00
0300	12.66	7.00	7.00	0.00
0330	12.59	7.00	7.00	0.00
0400	11.65	7.00	7.00	0.00
0430	11.65	7.00	7.00	0.00
0500	9.38	7.00	7.00	0.00
0530	11.57	7.00	7.00	0.00
0600	11.57	7.00	7.00	0.00
0630	11.57	7.00	7.00	0.00
0700	11.57	7.00	7.00	0.00
0730	11.57	7.00	7.00	0.00
0800	11.57	9.33	9.33	0.00
0830	11.57	11.65	11.61	1.59
0900	11.57	11.86	11.73	1.59
0930	11.57	11.86	11.61	1.59
1000	13.49	12.04	12.10	1.59
1030	13.49	15.84	15.80	1.59
1100	14.84	15.84	15.80	1.59
1130	19.39	15.84	15.80	1.59
1200	22.86	15.84	15.90	1.59
1230	22.96	15.84	15.80	1.59
1300	19.39	15.84	15.80	1.59
1330	19.39	15.84	15.80	1.59
1400	19.39	13.50	13.56	1.59
1430	19.39	13.50	13.56	1.59
1500	16.44	12.04	12.10	1.59
1530	14.84	12.04	12.10	1.59
1600	11.57	9.80	9.80	0.00
1630	16.44	12.04	12.10	1.59
1700	16.44	12.04	12.10	1.59
1730	16.42	12.04	12.10	1.59
1800	16.42	12.04	12.10	1.59
1830	16.42	12.04	12.10	1.59
1900	16.42	12.04	12.10	1.59
1930	16.42	12.04	12.10	1.59
2000	16.42	12.04	12.10	1.59
2030	20.40	12.04	12.10	1.59
2100	27.53	18.82	18.88	1.59
2130	27.55	19.99	20.08	1.59
2200	27.53	19.99	20.08	1.59
2230	20.40	19.99	20.08	1.59
2300	18.09	18.42	18.49	1.59
2330	16.44	12.04	12.10	1.59
2400	13.49	11.69	11.61	1.59

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 07.09.98 / Final Prices for Trading on 1[illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TB use of system price £/MWh
0030	11.57	9.25	9.36	0.00
0100	13.49	9.32	9.32	0.00
0130	13.49	9.30	9.30	0.00
0200	14.74	9.30	9.30	0.00
0230	14.74	9.30	9.30	0.00
0300	14.74	9.30	9.30	0.00
0330	14.74	7.00	7.00	0.00
0400	14.74	9.30	9.30	0.00
0430	14.74	9.30	9.30	0.00
0500	14.74	9.30	9.30	0.00
0530	9.36	0.00	0.00	0.00
0600	9.36	0.00	0.00	0.00
0630	9.40	7.00	7.00	0.00
0700	16.98	9.34	9.34	0.00
0730	16.37	9.11	8.96	1.83
0800	18.42	13.47	13.35	1.83
0830	32.59	15.29	15.17	1.83
0900	32.61	14.82	14.70	1.83
0930	32.65	27.15	27.04	1.83
1000	32.65	16.07	15.97	1.83
1030	19.72	16.37	15.28	1.83
1100	19.84	15.39	15.30	1.83
1130	21.77	15.41	15.34	1.83
1200	24.85	30.18	30.12	1.83
1230	24.80	30.18	30.12	1.83
1300	32.29	30.15	30.08	1.83
1330	35.70	16.09	16.00	1.83
1400	19.71	16.08	15.96	1.83
1430	24.54	16.05	15.94	1.83
1500	21.55	25.84	25.83	1.83
1530	21.54	25.84	25.80	1.83
1600	21.58	25.84	25.83	1.83
1630	21.66	25.96	25.86	1.83
1700	21.71	25.96	25.86	1.83
1730	18.64	21.71	21.80	1.83
1800	18.30	14.03	13.92	1.83
1830	17.13	13.87	13.75	1.83
1900	17.11	14.01	13.89	1.83
1930	17.12	13.87	13.75	1.83
2000	21.45	18.10	17.97	1.83
2030	21.49	9.36	9.36	0.00
2100	27.70	18.10	17.97	1.83
2130	27.88	19.62	19.59	1.83
2200	27.57	23.37	23.25	1.83
2230	27.57	19.62	19.59	1.83
2300	17.81	13.47	13.35	1.83
2330	17.81	13.47	13.36	1.83
2400	15.15	13.06	12.92	1.83

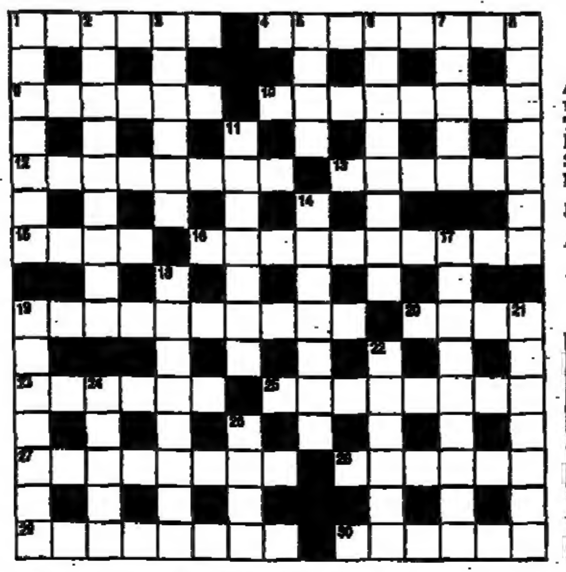
[illegible]

ACROSS

1 Moving spirit behind drug sales? (6)
4 Painting with rollers? (8)
9 Irishman goes to church meeting to find spiritual guidance (6)
10 What's behind China preparing for new conflict? (8)
12 Disciple to stick with the New Testament (8)
13 Close to a conclusion (6)
15 Dines in style at smart restaurants (4)
16 Used – but not by digital watches (6-4)
19 Timorous person, eager to acquire the skill (5,5)
21 Meet in a bar (4)
23 They play supporting roles in the studio (6)
25 Was in occupation, with mind to become a stakeholder (8)
27 One vehicle or another I slipped into wrong gear (8)
28 It comes as a sudden blow (6)
29 Monotony for seamen ordered to be confined on board (8)
30 Affected type from the Paris model agency (6)

DOWN

1 Crossing the channel (7)
2 Kind of western pasta (9)
3 Repeat prescription once more, not involving the doctor (6)
5 The viewers have a point, certainly (4)
6 Bars under a window (8)
7 Excuse for party in capital (5)
8 Not free to wed (7)
11 Seen to be upset, embarrassed and mocked (7)
14 He travels with others to work (7)
17 Judge a little speed to be about right (9)
18 Stable charge for a horse (8)
19 Decorations gained by irregular force's squadron leader (7)
21 He can just about stand up for himself (7)
22 He made a late entry to the least (6)
24 Pushing forwards (6)
26 Agrees about being dropped as one grows older (4)



Winner of Puzzle No.9,768: R.E. Crum, Norwich

MONDAY PRIZE CROSSWORD

No.9,780 Set by DANTE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday September 17, marked Monday Crossword 9,780 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 21. Please allow 28 days for delivery of prizes.

Name............

Address............

Solution 9,768

ABBACY BIASED
M A A L C R
GESTAPO PEGASUS
E I R W U L M
PROSAICISM ERSE
T C M N T
IDAHO BULLETIN
N R L O G
SCAVENGE ALACK
A A D T S
CHAR CLODHOPPER
O S H N S I L
COPIOUS BOURBON
T T S N I P
SCYTHE SEANCE

JOTTER PAD